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Andropov's legacy: reforming Soviet industry, Page 17

World news | Business summary

UK fights rearguard action on Falklands

Britain is fighting a desperate rearguard action to prevent Argentina from obtaining an important diplomatic victory in the annual debate on the Falklands which begins at the United Nations in New York today.

Argentina has won over key members of the European Community – France and Italy – to support a much softer motion than in previous years. This calls for negotiations between Britain and Argentina to resolve the Falklands dispute and to discuss "all aspects" of the problems.

By avoiding direct mention of sovereignty to the islands for the first time Argentina has managed to split the solid front maintained by the EEC since the Falklands conflict in 1982. Page 5

South Africa dialogue team is named

The Commonwealth's "group of eminent persons" given the task of encouraging political dialogue in South Africa with a view to establishing a non-racial and representative government was named.

They are former Australian Premier Malcolm Fraser; former Nigerian head of state General Olusegun Obasanjo; former UK Chancellor of the Exchequer Lord Barber; Dame Nita Barrow (Barbados, a president of the World Council of Churches); former Tanzanian minister John Malecela; former Indian minister Sardar Swaran Singh; and Archbishop Edward Scott of Canada. Fraser and Obasanjo will be co-chairmen.

US spy charge

A former employee of the US National Security Agency was arrested on charges of spying for the Soviet Union. Page 5

Lange says no

New Zealand's Prime Minister David Lange said two French secret agents jailed for 10 years for their part in sinking the Rainbow Warrior would not be deported until they would normally be eligible for parole, after five years in prison. Page 6

Colombia emergency

President Belisario Betancur has declared a 35-day economic emergency in Colombia in the wake of the devastating volcanic eruption. The aim is to rebuild areas affected by the disaster.

French port strike

A two-day strike in France called by the Communist-led CGT union to protest at job cuts paralysed cargo loading in the country's main ports. Passenger ferries and oil tankers which are not handled by dockers, were unaffected.

Chile bombings

The 70th birthday of Chile's President Augusto Pinochet was marked by a series of bomb explosions in Santiago, the capital, at the war college, and in other cities.

Greek media strike

Greek radio, television and news-agency journalists went on strike in protest against a decision to abolish daily briefings with government officials.

Spanish shootings

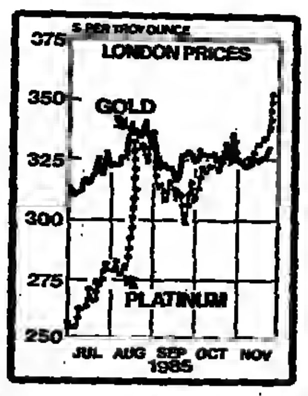
A 10-week truce by the Basque separatist organisation Eta came to an end when two Spanish navy marines were shot dead in San Sebastian. Page 3

Chinese purge

A campaign to purge the Chinese Communist Party of corrupt and politically deviant members is to swing into its main phase with more than 20m rural members having their status scrutinised. Page 6

Elf plans Japanese chemicals venture

ELF-AQUITAINE, French state-controlled oil group, is about to sign a FFr 200m ($25m) joint venture deal with an as yet unnamed Japanese company in the heavy chemicals sector. Elf said the deal would be followed by a second, smaller venture. Page 18



PLATINUM prices rose $14.90 an ounce to $354.50 in London – their highest since July 1984 – reflecting the dollar's fall, concern over South African unrest and hopes of lower interest rates. The metal's premium over gold widened to $25 an ounce, with gold up $2.50 at $331. Page 34

WALL STREET: The Dow Jones industrial average closed 7.68 down 1,456.65. Page 42

TOKYO: The dollar's fall against the yen depressed export-oriented blue chips but other shares closed moderately higher. The Nikkei average closed 24.06 up at 12,789.30. Page 42

LONDON: Merger news gave a healthy boost to prices and the FT ordinary share index closed 11.5 up at a record 1,146.9. The FT/SE 100 index added 4.5 at 1,455.5. Page 42

DOLLAR was weaker in London, falling to DM 2.566 (DM 2.576), SFr 2.101 (SFr 2.105), FFr 7.8175 (FFr 7.845) and Y200.7 (Y201.4). On Bank of England figures the dollar's exchange index fell to 127.1 from 127.5. Page 35

STERLING gained 95 points against the dollar in London to finish at $1.4635. It was also higher at DM 3.755 (DM 3.745), FFr 11.44 (FFr 11.405), SFr 3.075 (SFr 3.06) and Y293.75 (Y292.75). The pound's exchange rate index rose 0.5 to 80.6. Page 35

GOLD rose $2.50 on the London bullion market to $331.00 and was $4.50 higher in Zurich at $330.75. In New York the Comex December settlement was $332.7. Page 34

SAUDI ARABIA has told companies buying its refined oil products that prices will in future be more responsive to market changes. Page 34

US motor industry could run into problems caused by over-capacity which have already hit European manufacturers, the DRI forecasting group warns. Page 7

ELEC AND ELTEK, Hong Kong electrical group that went public 18 months ago, blamed a depressed US market and delays in approval for its cordless telephone for a loss after extraordinary items of HK$133.5m (US$17m). Page 22

BRANIFF, Texas airline that emerged from bankruptcy two years ago, will become a wholly owned subsidiary of Dalfort, itself 80 per cent-owned by the Hyatt hotel group, in a deal to acquire the 31 per cent of its shares still quoted over the counter.

SABIC, Saudi Arabian Basic Industries Corporation, increased earnings for the first nine months by 137 per cent to $22.3m, reflecting the start-up of new petrochemical plants. Page 22

SINGAPORE Monetary Authority persuaded the 30 bank creditors of Pan-Electric, a quoted company with debts of S$400m (US$189m), to grant an indefinite moratorium on their loans. Page 22

$ falls amid signs of lower US rates, Tokyo policy shift

BY ALEXANDER NICOLL IN LONDON AND JUREK MARTIN IN TOKYO

THE DOLLAR slipped yesterday to its lowest level against the yen since January 1981 and to a 20-month low against the D-Mark on expectations that a slowing in US economic growth may produce lower interest rates.

The pound benefited from the dollar's fall, showing a healthy improvement on a trade-weighted basis, and this in turn helped to boost the London stock market to record levels.

Most of the dollar's fall occurred in Tokyo, where the US currency dipped briefly below Y200. It did so as a sign emerged of a modification in the Japanese approach to carrying out the September Group of Five agreement to lower the dollar's value.

A senior Bank of Japan official indicated in Tokyo that the bank felt the yen should be able to maintain its present level against the dollar without recourse to sizeable official intervention.

The official said the yen's stability could now be established by what he described as "autonomous market forces." He argued that the currency was in a fourth phase of its appreciation since the September accord – the earlier phases being its rapid initial rise, a dollar recovery halted by intervention and the Bank of Japan's direction of higher short-term domestic interest rates.

The yen's rise had occurred despite heavy capital outflows, which he estimated at about $6.5bn in October, back to August levels after a slump in September. Interest rate differentials with the US were wide enough – about 3½ per cent on long-term issues – to attract Japans investors to the US, he added.

The implication of his remarks was that the Bank of Japan has stopped pushing short-term rates up. Late last week, officials had hinted that this process had run its course for the moment.

Bankers in London said the official's remarks might be interpreted as confirming that the Group of Five agreement has entered a stage in which central banks would not actively push the dollar lower, but would act to prevent any upward correction of its recent declines.

The dollar's fall, without the help of central bank intervention, is likely to please European central banks, which have been reluctant to force it down from the levels it reached immediately after the Group of Five agreement.

Though a continuing fall is likely to be interspersed with bouts of profit-taking, which could temporarily boost the dollar, the market's attention appears to be focusing on the prospects for the US economy as well as for the Gramm-Rudman bill which would reduce the US budget deficit.

Profit-taking helped the dollar to recover from its lowest levels yesterday. It finished in London at Y200.70 compared with Friday's closing Y201.40. Against the D-Mark, it dipped to DM 2.56 at one stage but recovered to DM 2.5660, finishing one pfennig lower on the day. Dealers said Y200 and DM 2.56 were both key support levels and that the dollar could drop again quickly if they were convincingly breached.

Sterling firmed against all major currencies, rising 0.5 to 80.6 on its trade-weighted index and finishing nearly a cent higher at $1.4635.

Underpinning the pound has been firmness in spot oil prices, but yesterday the currency was given an additional boost by better-than-expected current account balance of payments figures for October.

The widening interest rate differential between the UK and the US is also supporting the pound, with hopes of a cut in US discount rate from 7½ per cent fostered by a forecast from Mr Henry Kaufman, the respected Salomon Brothers economist, who said Federal Reserve policy had been "exceedingly accommodative."

Money markets, Page 35

Mexico seeks Gatt entry after years of debate

BY DAVID GARDNER IN MEXICO CITY

MEXICO is to seek membership of the General Agreement on Tariffs and Trade (Gatt) after nearly a decade of often bitter controversy over membership. Mexico is the largest Western economy not inside the 90-member world trade organisation.

Overriding opposition from Mexican industrialists and most of the left, and the reticence of the pro-regime trade unions, the Government says membership of Gatt is essential to help to boost non-oil exports and guarantee Mexico a voice in the main world forum for negotiating multilateral trade terms.

Mexico has this year been gradually introducing trade liberalisation measures that are bringing the country into line with Gatt requirements.

In a letter published yesterday in the Official Gazette, President Miguel de la Madrid said falling oil demand over the past four years had led to heavy balance of payments problems, exposing an unsustainable trade deficit on manufactured goods and services.

The only way to reverse that, he said, was by "rationalising industrial protection and making our economy more competitive and efficient."

Excessive protection had led to high industrial costs, inflationary pressures and had blocked "reasonable competition," he emphasised.

A scheme introduced earlier this year whereby exporters could import free of import duties and permits and value-added tax up to 40 per cent of the value of their exports, was abandoned after protests from Mexican industrialists, who have built up their businesses behind four decades of highly protective trade policies.

The scheme was reintroduced in July in modified form, along with a switch of 62 per cent of Mexican trade from the cumbersome import permit system to a range of tariffs up to 50 per cent.

In April, Mexico signed a bilateral trade treaty with the US, which takes three quarters of its exports. The treaty for the first time granted Mexico the right to the so-called "injury test," whereby US industrialists have to prove they are suffering loss of market share to subsidised Mexican goods. Previously, it was sufficient to claim the goods were being subsidised for the goods to be blocked.

US officials argued at the time that Mexican concessions under that agreement were actually more onerous than policy modifications they would have to make within Gatt. Mexican officials appear to have come round to that view.

Membership of Gatt was considered under the previous government of President José López Portillo, but it was put aside in 1979 when Mexico signed a protocol agreement with the organisation.

This time, a six-month debate has been carefully orchestrated through the press.

National Gypsum executives make $1.3bn offer for group

BY TERRY DODSWORTH IN NEW YORK

A GROUP of senior executives at National Gypsum, one of the leading US building materials companies, launched a $1.3bn cash and share offer for the group yesterday, only shortly after it had been caught up in a round of takeover speculation.

The announcement of the buy-out proposal, valued at $57.50 a share, came after a $4¼ jump in the share price on Friday, when there was a spate of rumours on Wall Street linking the company to a possible bid from the Belzberg family, the Canadian financial services group often associated with contested takeover bids. Yesterday the shares rose a further $2⅜ in early trading to $48⅝.

Although the management team gave only sketchy details of its offer, it said that it has obtained a written proposal "from a financial institution" that would co-ordinate the funding of the agreement.

Shareholders are being offered $40.50 a share in cash and $17 a share in a new issue of subordinated redeemable discount debentures, which would have a term of 20 years, bear no interest for five years, but then pay a rate of 15 per cent a year.

The management bid, the latest in a flood of buy-outs mounted by senior executives of US companies this year, comes after a period of strong recovery in National Gypsum's fortunes. The group's net profits jumped from a low point of $14.1m in 1982 to $49m in 1983 and $106.8m, or $4.57 a share, last year. In the first nine months of this year they increased to $96.5m from $91.2m.

During this profits recovery the group has become a target for potential bidders. Last year it spent $77m to buy back a threatening share from Louisiana-Pacific, the forest products group, and installed a number of takeover defences.

Initial Wall Street reaction to the management bid was that it broadly reflected the company's recovery and offered an appropriate premium over the historic share price. Last year National Gypsum's highest share price was just under $27, this year it has only recently topped $35. Book value amounts to about $24 a share.

The company also has an unquantified liability to payments on health-related asbestos claims, which are not expected to amount to large amounts of money but make it a less attractive target to rival bidders. "These claims could eliminate other offers," said Mr John Stanley, of Wertheim, the Wall Street securities firm.

Mr Stanley added that he believed the company was close to the peak of its profits cycle and that he expected earnings to fall next year to $4.35 a share from $5.65 this year.

Palestinian faction blamed by Egypt for hijack

By Our Middle East Staff

THE DEATH TOLL from the hijacking and storming of an Egyptian airliner in Malta on Sunday night rose yesterday to 60, including nine children and four of the five terrorists. The surviving hijacker is seriously ill in a Valletta hospital.

Egyptian authorities have accused a Palestinian faction of hijacking the Boeing 737 on a flight from Athens to Cairo and have pinned overall responsibility on "an Arab country known to Egypt for its terrorist actions and its harbouring of terrorists."

Egypt has recently reinforced its troops on the western border with Libya and roads to the area were yesterday reported to be closed to non-military traffic. Libyan radio, broadcasting from Tripoli, accused Egypt of massing its forces. The two countries fought a brief border war in 1977.

The US and Britain have both praised the attitude of the Egyptian Government towards the hijack. Mr George Shultz, US Secretary of State, said in a telegram that Egypt had "gained the respect of the world and its appreciation by its firm stand in confronting international terrorism."

The Foreign Office in London said Britain "admired the strong stand taken by Malta and Egypt against terrorism, had every sympathy with their predicament and shared their sorrow at the tragic loss of life."

In Kuwait, a group calling itself the Egyptian Liberation Organisation claimed responsibility for the hijacking, although the terrorists told passengers they were from "Egypt's Revolution," a faction that last month killed an Israeli diplomat in Cairo.

The decision to order Egyptian commandos to storm the aircraft was defended in Cairo yesterday as "a necessity to save those who could be saved among the passengers and crew."

An official statement said the order had been given only after it had become apparent that the hijackers intended to kill all the passengers.

It claimed that none of the passengers had been killed by the commandos. Their deaths had been caused primarily by a fire resulting from phosphorus grenades thrown by the terrorists into the rear of the aircraft as the commandos stormed aboard.

Survivors spoke yesterday of the

Continued on Page 18

Egypt lays blame; more details, Page 2

Habitat agrees £1.5bn British stores merger

BY CHARLES BATCHELOR IN LONDON

HABITAT MOTHERCARE, the UK home furnishings and clothing group headed by Sir Terence Conran, and British Home Stores (BHS), a department store chain, yesterday agreed on a £1.52bn ($2.17bn) merger.

The deal will create Britain's 12th biggest retailing group with combined sales of more than £1bn, nearly 800 stores and more than 30,000 employees.

The new company, which has yet to be named, will embrace Habitat, Heals and Conran's in the home furnishing field, Mothercare, Now and Richards in the clothing and mother and baby sector and the BHS chain of variety stores. It will also have a half-share in the Sava-Centre hypermarket chain together with J. Sainsbury.

The Habitat-BHS deal follows a series of large takeovers in the UK retail sector in the past year. In August Burtons won control of Debenhams after a bitter £550m takeover battle in which Habitat played a supporting role.

	Habitat/ Mothercare	British Home Stores
Turnover	£447m	£550m
Pre-tax profits	£36.5m	£61m
Market Capitalisation	£670m	£851m
Stores	750	128
Sales space (sq ft)	2.9m	3.25m
Employees (inc part-time)	10,959	24,354

Figures to March 31 1985

In April Associated Dairies, the Asda and Allied Carpets group, merged with the MFI furniture Group by means of an agreed bid from Asda worth £615m. Earlier in the year the Al-Fayed brothers of Egypt won control of House of Frasers, the Harrods deparment store group, with a £615m bid.

Habitat and BHS held what Sir Terence called "desultory discus-

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Revolution in UK retailing, Page 16; Lex, Page 18; Results, Page 24

Imperial holds talks with United Biscuits

BY LISA WOOD IN LONDON

IMPERIAL GROUP, the huge British tobacco and brewing concern, and United Biscuits, the food and restaurant group, said yesterday that they were engaged in talks about a possible merger.

Neither group gave further details yesterday, although their joint statement said that the initiative for the talks had come from Imperial.

On last night's closing prices in London Imperial had a market valuation of £1.73bn ($2.53bn) and United Biscuits one of £1.07bn ($1.56bn). Imperial shares rose 11p yesterday to close at 329p and United Biscuits added 25p to 265p.

Both companies have been the subject of takeover speculation in recent weeks.

Imperial has been seeking an acquisition since it sold Howard Johnson, the US restaurant and hotel chain, to Marriott for $314m earlier this year. Imperial bought Howard Johnson in 1980, but the US group's difficulties had long cast a shadow over its share price.

Imperial's strong balance sheet after the sale fuelled speculation that it might become a bid target for a predator such as Hanson Trust, the UK-based industrial group. Imperial received the proceeds of the Howard Johnson sale yesterday.

	IMPERIAL	UTD. BISCUITS
Turnover	£4.66bn (to31-10-84)	£1.74bn (to29-12-84)
Pre-tax profits	£220.6m	£87.2m
Market capitalisation	£1.73bn	£1.07bn
Employees	59,000	41,000

PRINCIPAL PRODUCTS

Imperial	Utd. Biscuits
Players cigarettes; other tobacco products; Courage beer/public house division; Golden Wonder crisps and other snacks	Wimpy, Pizzaland, McVitie biscuits, Terry's chocolates, KP snacks and savouries, Keebler cookies in US, frozen foods

United is the world's second-largest biscuit manufacturer after Nabisco Brands of the US. It has a 46 per cent share of the UK market. Its other major activities include Pizzaland and Wimpy restaurants and the third-largest frozen foods business in the UK.

Any proposed merger could face a referral to Britain's Monopolies and Mergers Commission because the two groups account for more than 50 per cent of the UK crisps, nuts and savoury snacks market.

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CONTENTS

Egypt blames hijacking on anti-Arafat PLO faction

BY TONY WALKER IN CAIRO

EGYPT CLAIMS that an Arab country "known for supporting and harbouring terrorists" was behind the hijacking of the Egyptair Boeing. It blames a breakaway faction of the Palestine Liberation Organisation opposed to Mr Yassir Arafat, the PLO chairman.

Cairo Radio did not identify the Arab country allegedly involved in the incident. It described the commando raid to free the aircraft as a "successful operation."

In the past, Egypt has accused both Libya and Syria of attempts to interfere in its internal affairs. On Sunday, it put its forces on its common border with Libya on full alert. Several roads westwards towards the frontier were closed, presumably to make way for troop movements.

The radio, in the first official Egyptian comment on the tragic conclusion to the storming of the Egyptair aircraft, said the commando operation was over in five minutes. "There were no injuries initially among the passengers or the commando unit except that the hijackers hurled three incendiary phosphorous bombs," it said.

The statement attributed to an unnamed official source, said the decision was taken to storm the aircraft following the refusal of Malta to refuel it and the unwillingness of other countries to accept the hijackers.

The captain reported the situation on the aircraft was very grave, said the statement, which also noted that the hijackers had "no known aim" and that the jet could not take off for technical reasons.

Profound mystery surrounds the identity of a group calling itself "Egypt's Revolution" which has claimed responsibility for the hijacking. It first surfaced in August this year when it said it had killed an Israeli diplomat in a Cairo suburb.

It also said it had wounded an Israeli official in the Egyptian capital in June, 1984. On that occasion, the Israeli was hit in the hand by a bullet fired from a passing car.

"Egypt's Revolution," Western officials say, may have connections with a web of fundamentalist groups that were behind the assassination of late President Anwar Sadat in 1981. Egyptian officials suspect, but have not produced any evidence, that the group may have links with a militant Arab state bitterly opposed to Egypt's peace treaty with Israel and its generally pro-Western stance.

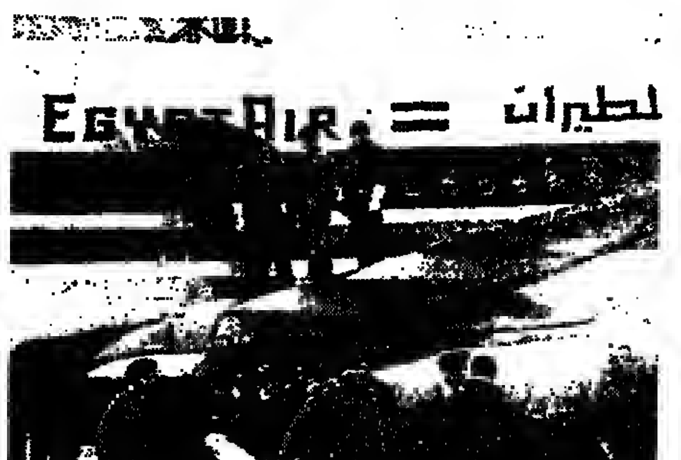
Adding further to the mystery was the publication yesterday in two of Kuwait's main Arabic language newspapers—al Qabas and al-Watan—of a handwritten message from a group calling itself "Egypt's Liberation Organisation."

The message said: "The organisation would like to inform the world that this action (the hijacking of the Egyptair jet is aimed at no-one except the regime of Hosni Mubarak and the presence of America and Zionists on Egyptian territory."

Developments of this nature will increase discomfort in Egypt about the activities of extremist groups opposed to the Government. The whole affair is also likely to add to Egypt's deep suspicions about Libya's activities and lead to increased tension on their common border.

The incident comes to an awkward moment for President Mubarak's administration, following so soon after the hijacking of the Italian liner Achille Lauro which opened a rift between Cairo and Washington over the forcing down of an Egyptian aircraft (in fact the same one that was hijacked to Malta) by U.S. military aircraft.

The air liner was attempting to fly Palestinian hijackers of the Achille Lauro to Tunis so they could be handed over to PLO officials.



Captain Hani Galal (above), who hit one of the hijackers with a fire axe after being shot in the head, was the pilot of the Egyptair Boeing from which Maltese soldiers (right) carry the body of a dead passenger.

Precedents which led to tragedy in Malta

By David Lennon

THE tragic outcome of the Egyptian attempt to rescue the hostages held on board the Egyptair Boeing 737 was the most significant failure of this approach to dealing with sky-jacking.

There have been 295 aircraft hijackings since the first, recorded in Peru in 1931, but it is only since the early 1970s that the idea of storming aircraft to release hostages has been put into practice.

In 1972 Israeli commandos dressed as cleaners stormed a Sabena airliner which had been hijacked and forced to land at Israel's Ben Gurion (then Lod) airport.

Four years later the Israelis were again involved in a rescue mission, this time after flying to Entebbe in Uganda to release more than 100 hostages on an Air France Airbus.

The following year, 1977, West German commandos emulated them freeing 86 hostages who had been hijacked in a Lufthansa Boeing 737 flying to Mogadishu in Somalia.

In February 1978 Egyptian commandos attacked a Cyprus Airways DC-8 in Larnaca airport, Cyprus, after hijackers shot an Egyptian newspaper editor. The hijackers surrendered, but subsequently Cypriot security forces fired at the Egyptian troops, killing at least 15.

March 1981 saw Thai and Indonesian troops storming an Indonesian DC-9 to rescue 39 hostages held by Moslem extremists at Bangkok airport.

Two months later French anti-terrorist troops freed 100 hostages from an Aer Lingus plane being held at Le Touquet airport, Paris, by a deranged Australian former Trappist monk.

In September 1981 Pakistani soldiers overpowered five Sikh hijackers of an India Air Boeing 737 at Lahore Airport, rescuing 44 passengers.

Conventional tactics draw fatal response

BY DAVID LENNON

THE CONVENTIONAL wisdom for dealing with hijackers is to play for time. Wear them down. Talk them out of it. Or storm their temporary fortress when their defences are at their weakest.

The only trouble with conventional wisdom is that hijackers are themselves fairly conventional, and they know all too well about the tactics which are recommended for use against them.

That is why it is becoming increasingly common for the hijackers to kill one or more of their hostages close to the outset of their adventure, in order to make it clear to the authorities that they mean business and will tolerate no delaying tactics.

Rule number one is to "play for time," according to Dr Richard Clutterbuck, a leading writer on the subject of political violence. "The less psyched up the hijackers are, the less likely they are to kill their hostages," he says. "But if they do start killing, the question then is when do you send in the troops."

The heavy death toll in Malta is regarded by experts in this field as a classic example of a rescue operation which was forced on the military before the circumstances were right.

The goal of any military team sent into free hostages is to use only as much force as is deemed necessary and cause as few casualties among the victims as possible. But the level of resistance to be expected from the hijackers will dictate the level of force judged to be reasonable, and the earlier the rescue attempt takes place, the higher the level of force which will still need to be employed.

However, long before this, it is the goal of the negotiator to win the initiative from the hijackers. To move him from a list of often impossible demands to the possible. Then to whittle away at these until the hijacker ends up bargaining for his own security, rather than that of his hostages as he realises the hopelessness of his situation.

Professor Paul Wilkinson, who teaches international relations at Aberdeen University and is an expert on international terrorism, does not believe that the disaster at Malta has discredited the rescue tactic.

"I think we can hope for greater success than in Malta," he commented yesterday. "There were particular problems there which stimulated the hijackers into shooting earlier than could have been expected."

The fact that hijackers are often more fanatical nowadays, and some are happy to die with the assurance that their place in paradise is assured, does raise new problems for the authorities when deciding which course of action to follow.

The best advice, according to Prof Wilkinson, still remains to use the wait and see approach, especially if it emerges that the terrorists are willing to negotiate, and even release some of their hostages.

But there is little room left for the psychological approach once the hijackers begin killing their hostages. When that happens, the experts say, there is no alternative but to send in the commandos.

Mystery surrounds how weapons were smuggled on board

BY ANDRIANA IERODIACONOU IN ATHENS

HOW AND where the weapons used in the hijack were spirited aboard the aircraft is still "a mystery," according to Western observers here yesterday. Athens airport was reportedly awarded a satisfactory bill of health by the US Federal Aviation Administration (FAA) in a security inspection the week before the hijacking.

The passengers on the fateful flight, which originated in Athens bound for Cairo, were apparently subjected to two security checks before boarding. The first was carried out by Greek airport security, and the second by a private security company under contract to Egyptair. Transit passengers connecting with the flight went through the same procedure.

The Greek Government declared after the hijacking that baggage was also "meticulously" inspected, diplomatic bags being the only exception.

Two theories were being advanced here to explain the smuggling of the weapons aboard: one that this was done by someone who had access to the aircraft beyond the two security checks; the other that the weapons were stowed aboard outside Greece.

The answer might never be found. It is still not known, for example, despite an FBI investigation lasting several days in Athens, how and where the arms used to hijack a TWA airliner flying from Greece to Rome last June were brought on board.

The TWA hijacking, however, did bring to light loopholes in security at Athens Hellenikon Airport. Security equipment was found to be inadequate and personnel training deficient. Perimeter fencing and security patrols were patchy, while physical arrangements such as the routeing of passengers through the terminal allowed unauthorised access to the runway.

In July, the International Air Transport Association (IATA) ruled following an inspection that security at Athens airport had been raised to "acceptable international standards." A travel advisory against Athens issued by the US State Department, which cost Greece more than \$80m in tourist revenue, was lifted at the end of the same month.

According to Western observers, equipment and personnel training at the airport have been upgraded. A "very ambitious and expensive" perimeter fencing project is under construction and the number of external roving armed patrols has been stepped up sharply. Bureaucratic problems which foreign airlines reportedly faced in the past in trying to set up their own back-up security checks have been eliminated.

Greece has also opened the door to security and counter-terrorism co-operation with the US. An exchange of visits by Greek and US security officials, including a one-day stay in Athens in September by Mr Robert Oakley, the Director of the Office of Counter-Terrorism and Emergency Planning at the State Department, have led to an agreement to despatch Greek security personnel to the US for training.

Figures released by the Greek Government show that between 1978 and 1985 there were four hijackings from Athens airport, compared to 62 in the US and 42 in other European countries.

Inquiry hears of missing jet passengers

THREE transit passengers failed to reboard an Air India jet which crashed last June but they may have left their luggage on the airliner, a Canadian police officer told an inquiry yesterday, Reuter reports from New Delhi.

The Boeing 747, flying from Frankfurt to Toronto, Montreal, London and Bombay, plunged without warning into the sea off Ireland on June 23, killing all 329 people on board.

Experts have not ruled out sabotage and two militant Sikh groups are reported to have claimed responsibility for planting a bomb on board.

"Up to today, we have not been able to identify the three passengers who did not reboard the aircraft," Michael Atkinson, a Royal Canadian Mounted Policeman, was quoted as saying. Transit luggage was not subjected to x-ray checks and he could not say if the three mystery passengers had taken their baggage with them.

Airports and aircraft face tougher security measures

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

EVEN TOUGHER security measures at airports world-wide are now inevitable in the wake of the tragic ending of the Egyptair 737 at Malta's Luqa Airport, in which 56 passengers and four hijackers died, when Egyptian commandos stormed the aircraft.

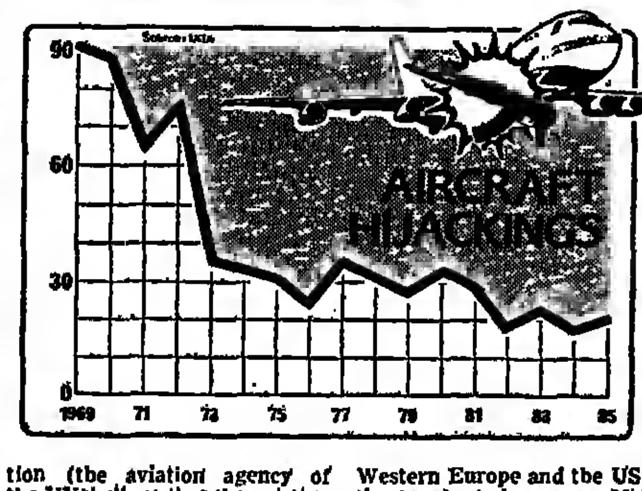
Hijackings (or "seizures" as the airlines call them) as a whole have averaged about 25 a year since the mid-1970s, well down on the high levels of the 1960s (with a peak of 91 in 1969), which sparked major international action to try to stamp out this menace to civil aviation.

But, as this year's incidents have already shown—the TWA hijackings out of Athens in June, and now the Egyptair incident—they are becoming more vicious, organised by determined killers, requiring even tougher action to control and eventually eliminate them.

There is already considerable pressure on governments from the International Air Transport Association, representing over 140 major airlines, to step up airport security measures and to prosecute and punish captured hijackers, and this is likely to be intensified.

Both IATA and the International Civil Aviation Organisation (the aviation agency of the UN) believe that the existing international conventions for punishing crimes against civil aviation—Tokyo 1963, The Hague 1970, Montreal 1971 and the Bonn Agreement of 1978—should be adequate, provided more governments ratified them and those that did took more positive steps to implement them.

The problem is that many governments still have not ratified them, while some that have are hesitant to implement them.



Western Europe and the US are the toughest, but many Middle East and African countries leave great loopholes in the legal sanctions that can be applied, either internationally or through the implementation of local laws. Getting such countries to recognise their obligations to civil aviation is proving extremely difficult.

Airlines, as a result, are increasingly taking matters into their own hands, and this trend can be expected to continue. Some, such as El Al, have their own armed "Skymarshals" on board every flight, although this is not encouraged by the IATA—in any shoot-out, it is argued many deaths could occur. This happened in the latest incident when an Egyptian security officer sitting at the back of the aircraft opened fire and killed one hijacker and was in turn gunned down.

Whilst the screening of passengers in airport terminals is now bound to be intensified, many of the airlines themselves will conduct their own tougher security checks on aircraft parked at airports.

This is because there is now a strong suspicion that in both the TWA hijacking from Athens earlier this year, and the Egyptair 737 incident, the weapons were smuggled aboard the jets whilst they were on the ground prior to the flights, possibly at Cairo in the Egyptair case.

If this is so — and it is only a suspicion that is difficult to prove — it adds further urgency to the need for tighter security.

The problem is that unless all airports are turned into virtual armed camps, with constant military-style surveillance and protection, they are virtually impossible to make totally secure.

Determined hijackers can infiltrate in many ways — guns or grenades, for example, could be put aboard passenger cabins in sealed food boxes, in lavatory bins and other containers.

Unless every airline, using its own security staff, searched individually every aircraft prior to departure, breaking open food and other containers if necessary, the smuggling of weapons on board prior to departure, possibly with the aid of sympathetic airport workers, must be a major loophole through which the hijackers can pass.

IATA's own Security Task Force, set up some time ago to study hijacking and produce measures to combat it, is well aware of this, and advises airlines to take the most stringent precautions.

This is especially the case where aircraft are to pass en route through politically sensitive areas where hijacking is endemic, such as the Middle East.

The Security Task Force has been stepping up its own activities, under its director, Mr Rodney Wallis, and it has now completed more than 40 airport surveys in 30 countries, resulting in improved security.

Vatican Two poses problems for Pope

BY JAMES BUXTON IN ROME

A PROCESSION in St Peter's Square of more than 200 cardinals and bishops in their robes and mitres is a splendid sight, even under the grey skies of last Sunday in Rome.

It was part of the magnificent opening ceremony of the two-week Special Synod of the Catholic Church, which yesterday began its deliberations in earnest.

Pope John-Paul II convened the synod, as he put it, "to revive the climate" of the Second Vatican Council, which ended 20 years ago next month. That gathering lasted more than three years.

Whether that aim will be achieved and what else will emerge from the Synod are open questions.

Not only is it still unclear exactly how the synod will function, but the basic subject matter—the decisions of Vatican Two—mean different things to different people.

To many Catholics, Vatican Two meant the breaking-down of the barriers between a remote and authoritarian church and a rapidly changing world in danger of leaving it behind.

It introduced services conducted in the vernacular, and eroded much of the aura of separateness that divided the priest and his congregation in the Mass.

It also led to the transfer from Rome to local churches of some of the Vatican's authority, and brought the creation of bishops' conferences in individual countries which had the right to adapt to local circumstances what Rome decided.

For some Catholics, Vatican Two became a source of new inspiration in their faith. Others deplored it.

Pope John-Paul II participated in Vatican Two, and used it as a pillar of reference.

Yet coming from Poland, whose devout and authoritarian church was little changed by the Council, he can hardly have failed to link the decline in the past 20 years in such matters as church attendance, baptisms and ordinations of new priests to the doctrinal looseness and decline in Rome's authority which have emerged since Vatican Two.

His attempts to do something about it—by preaching a stern line on birth control and family life, by restoring in certain circumstances the use of the Latin Mass and appointing conservatives to many bishoprics that have become vacant—have divided the church.

Many of the 165 delegates to the synod have come anxious to raise—in a suitably discreet way—objections to the direction in which the Pope is leading the Church.

Yesterday, Cardinal Godfried Danneels of Belgium made it clear the Pope was obliged to listen to critical points of view that may emerge at the synod. The aim of the synod, he said, was not to revamp the council's teaching but to push it forward.

But can a meeting which by the standards of the Catholic Church is extremely short have time to consider even briefly all the issues raised at Vatican Two, let alone reach consensus on them?

It seems more likely that the synod is simply what the Pope has called it—a celebration—rather than a session of analysis and decision.

Although the Pope might like to reassert the power over the Church that the papacy had until Vatican Two, he simply does not have all the levers at his command that once existed.

French TV channel threatened

By David Marsh in Paris

COMPAGNIE Luxembourgeoise de Télédiffusion (CLT) the Luxembourg broadcasting group, said yesterday it would be taking legal action to try to block the start-up of France's first commercial broadcast TV service by a Franco-Italian consortium.

Mr Jacques Rigaud, chief executive of CLT and chairman of its television and radio offshoot Radio-Télé-Luxembourg, also said his company was still ready to co-operate with France in operating two channels on the TDF-1 direct television satellite due to be launched next year.

Mr Rigaud's statement represented CLT's first official reaction to last week's news that the Government is granting a commercial TV licence to a group headed by Mr Jerome Seydoux, chairman of the Chargeurs industrial holding company, and Mr Silvio Berlusconi, the Italian communications entrepreneur.

CLT for months has been battling to win government acceptance for its bid to set up a nationwide French television channel as part of President François Mitterrand's plans to deregulate French television.

CLT was originally a candidate for a news-oriented service and earlier this month offered to pool resources with the Europe-1 and Tele-Monte Carlo broadcasting groups to set this up.

Following the Government's attribution of TV frequencies to the Seydoux/Berlusconi consortium, Mr Rigaud said CLT was now bidding for a licence for a musical and entertainment channel.

Bid to end impasse on EEC reform

BY QUENTIN PEEL IN BRUSSELS

EEC FOREIGN ministers were last night locked into line-by-line negotiations on proposed changes to the Treaty of Rome, with only their closest officials to guide them.

The negotiating session is intended by Luxembourg, currently in the chair of the Treaty reform conference, to break the continuing deadlock between the member-states on key questions of how to streamline Community decision-making.

Luxembourg also warned the member-states against producing any last-minute proposals which could disrupt the talks, with less than one week to go before the EEC heads of government hold their summit meeting.

Top of the agenda is the central issue of how to remove all the remaining national barriers to a single EEC-wide market with a deadline of 1992, by using majority voting instead of insisting on unanimity.

Britain and Ireland were yesterday seeking a special exemption from majority voting on questions affecting animal, plant and human health — in order to maintain the current health restrictions for diseases such as rabies and foot-and-mouth.

A similar exemption or special deal is being sought by Denmark and West Germany in order to defend their higher standards on questions of environmental protection and safety. They want to ensure that any harmonisation of standards in the EEC is upwards, not downwards.

The argument is regarded by other member-states as a real threat to completion of a single, unified market, because it could keep some products out of the West German and Danish markets.

There is more willingness to contemplate special deals for countries with lower standards to give them time to catch up, because such provisions would not necessarily close their borders to higher standard goods.

The Ministers also have to resolve continuing differences on measures to boost development in the poorest member-states, such as Greece, Ireland and Portugal.

Extensions of the powers of the European Parliament, and those of the European Commission, is another key question still to be finalised in the penultimate round of talks.

The foreign ministers will continue to meet today in Brussels, then their reform negotiating session in Luxembourg on Saturday and Sunday.

Although they are making gradual progress on most subjects under discussion, the fate of the entire reform package will not be clear before the summit begins on December 2.

Mrs Margaret Thatcher, British Prime Minister, has yet to lift her overall reservation on any amendment to the Rome Treaty, while other member-states such as Italy and Belgium committed to more sweeping reforms, could veto the package as being too modest.

Europe culture conference ends in wrangle

BY ELIZABETH WINDSOR IN BUDAPEST

THE 35-nation European cultural conference drew to a close in Budapest yesterday with deadlock over a final document, and a sharp Soviet attack on the US that contrasted with the spirit of last week's super-power summit.

Mr G. A. Ivanov, Soviet deputy culture minister, and other Soviet officials, accused the West of sabotaging last-minute negotiations for a final agreement concluding the five weeks of discussions, and the US in particular of racism, anti-semitism, and of denying many of its citizens access to culture by letting them stay illiterate.

Mr Walter Stoessel, the US delegation leader, responded by citing Mr Mikhail Gorbachev's words in Geneva that the two super-powers had agreed "to stop making stupid remarks about each other."

Lack of an agreed final document to this conference, the first to be held on East-West cultural issues under the aegis of the 1975 Helsinki accords, will disappoint many delegates, particularly the Hungarians.

They were doubly anxious to make the conference a success, both as hosts and active promoters of East-West ties.

A last-minute attempt by Hungary to get consensus on a closing statement, as distinct from a formal document on cultural co-operation, foundered on opposition from Romania, long at loggerheads with Budapest over treatment of the large Hungarian minority within its borders.

The conference was dominated by East-West differences, with Soviet bloc officials emphasising the state role of culture in the service of peace and security, and Western delegates stressing individual freedoms in the arts.

This led to eventual deadlock not only over a final document, but also on publishing an annexe of some 200 proposals made during the conference.

Many of these proposals concerned human rights, such as unhindered travel, freedom of expression, an end to radio jamming. The West, together with neutral countries, wanted to publish them in full. Even though some other proposals came from the Soviet bloc, the latter balked at publishing the text of all proposals.

Nevertheless, according to Mr Norman St John Stevas, the British delegation leader, it was not of overriding importance that the conference failed to produce a final document. "Whatever the outcome," he said, "this has been a unique and worthwhile event."

It was Mr St John Stevas who produced the most quotable line of the conference: "There is no such thing as socialist and capitalist art: there is good art and bad art, that is all."

But however many good intentions were voiced, and there were many, like Mr Gunther Grass's suggestion of a European cultural foundation in Budapest or the Spanish proposal for an international folklore centre there, the decisions, in the end, were in the hands of the politicians and diplomats, not the artists or writers.

Call to hold down wages in France

By David Housego in Paris

THE FRENCH employers' association yesterday called on industry to hold down increases for next year to below 1985 levels while introducing more flexibility into wage payments.

The employers' organisation set no official target but private-sector wage increases this year average about 5 per cent.

This compares with an expected inflation rate for the year of about the same level. Employers in the metal working industry have already set a target next year of holding down wage increases to 3 per cent.

The de-indexation of wages since 1982 has been one of the main domestic factors bringing down France's inflation rate. The fixing of wage levels for next year, however, is recognised as likely to be a more tricky exercise because of the Parliamentary elections in March.

The Government has not yet set guidelines for wages in the public sector next year.

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Jonathan Carr reports on Deutsche Bank's unusual relationship with Moscow

Linking into the Soviet cultural pipeline

A YOUNG Soviet artist pointed across the buffet table laden with vodka bottles and caviar to the elegant, silver-haired figure chatting on tbo other side.

"Chree-stians," he said smiling, "is our good frtond." Fellow artists nearby ot the Moscow reception nodded agreement. They ell knew Dr F. Wilhelm Christians, co-chief executive of the Deutsche Bank, West Gorman's biggest bank.

Tbey were present, standing a trifio uneasily among dozens of diplomats and Soviet officials, to see Dr Cbristians open an exhibition by the modern, bighly eccentric, Hamburg artist Horst Jansson

Compared with the Soviet-US summit meeting in Geneva a few days loter, the event was naturally very minor. But it did throw into reliof tho peculiarly complex, delicato German-Soviet relotionship in which business and eulture, politics and history are closely interwoven.

Dr Christians's business links with Moscow go back to 1969, slightly preceding tbo "Ostpolitik" drive of tho centre-loft government in Bonn, which came to power under Chancellor Willy Brandt the same yeor. In the next 16 years the Deutsche Bank chief negotiated a series of major credit deals with Moscow (above oll for the latterly controversial natural gas pipeline projects with western Europe) and built contacts in the Soviet capital which many a westerner might envy.

Small wonder with that record of continuity that Dr Christians was the first senior westorn businessman Mr Mikhail Gorbechev received in Moscow ofter becoming Soviet leador. The result was e two-hour "hammor and tongs" exchango on modornising Soviet industry and agriculture, and the role West German companies might play.

This month Dr Christians, now aged 63, was back in Moscow ogain—probing prospects for new business shortly before tho start of the new Soviet five-yoar plan (1986-90). Soviot contracts worth around DM 18bn (£4.8bn) ore understood to be in the immediate offing, with West German companios bidding ogatnst tough international competition.

Whatevor satisfoction Dr Christions gained from his latest business talks, it seems certain that tbo opening of the Janssen exhibition, sponsored by Deutsche Bank, gavo him greator personal pleasure. It was a new high point in bis efforts to promote artistic excbango, wbich led in 1983 to o formal contraet between the Soviet Culture Ministry and Doutscbe Bank.

That was odd in itself since tho Ministry is used to dealing with Government officials rather than bankers; but the origin of the contract was odder still. As an art lover with a big private collection, Dr Christians had been watching for the right moment to suggest an exchange—and it came in 1980 during negotiations on the "Yamal" gas pipeline deal, the so-called "project of the century."

Dr Christians . . . personal interest in East-West exchange

When o Soviot official proposed a toast to the deal which would "serve tha understanding of people" into the next century, Dr Christians seized his ehanco. Business alone could not do that, bo responded; a "cultural pipeline" was needed too, whieb would reacb the hearts and minds of ordinary peoplo.

Tho final results have, if anything exceeded his expectations. Already there bave been displays of German artists in Moscow and Leningrad in 1983, of Soviet work in West Germany in 1984-85 ond now of tho Janssen pictures, on sbow in Novosibirsk, Siberia, as well as Moscow.

Is thore a direct, business benefit for the Deutsche Bank in all this? Certainly not ono which can be measured in D-marks (or roubles). If Moscow is offored better credit deals by othor western banks, it will snap them up—art exchanges or not. But clearly the Deutsche feels thore is an advantagoous, indirect "spin-off," in two ways.

Ona is that by involving itself in art as well as credit, tho bank is undorlining the depth and continuity of its commitment to relations with the Russians. That holps maintain an atmosphere of steady co-operation despite an East-West political barometer fffwhich swings from thow to frost—and now, after Geneva, perhaps to another thaw again.

Tho other point is that the Doutscho Bank is trying to widen tho lines of contact without public ballyboo which might raise issues of political prestigo in Moscow and Bonn.

It goes virtually without saying that the bank is not koon to talk about this aspect. But it is worth noting that quite a number of those Soviet artists who attended the Janssen exhibition in Moscow (and who know Dr Christian) do not, to put it mildly, enjoy tho accolade of tho official Soviot cultural establishment.

Moreovor, those who saw the 1984-85 Soviet art exhibition in West Gormany will know it included modorn paintings wbicb—but for the tough preceding negotiations—would not have como to the west.

That latter point must be seen against the background of Soviet-German history, in wbich close trading and cultural links were periodically smashed by conflict—right into modarn times. Dr Christians recalls a talk with o senior Soviet official years ago, in which both men found they had fought almost opposito one another on tho same stretch of front during the Second World War, and both had been wounded. They sworo their sons must never suffer tha same fate.

That kind of shared experience cannot be quantified in tbo dealings between Gormans and Russians—but it surely counts on the scales. Little wonder tbat tho next (joint) exhibition the Deutscbe Bank hopes to pnt on with its Soviet partners should have tho themo "War and Peoce."—with its memories of Tolstoy and o recent, bitter past.

Portugal raises food prices 14%

By Diana Smith in Lisbon

PORTUGAL'S new minority Social Democrat Government, headed by Prof Anibal Cavaco Silva, has declared a 14 per cent increase in tbe prices on basic foods, public transport and pnblic ntilities.

A 5 per cent increase in the price of oil derivatives was also announced. A litre of petrol will now cost the equivalent of £2 a gallon—four times the hourty wage for a Portuguese industrial worker.

Tbe new administration, committed to expanding the depressed economy after two years' austority, explained tbot tho price increases were needed to ensure that tn 1986, inflation is held at 14 per cent. In 1985, inflation will reacb 16 per cent.

The Government insisted that there will be no price increases next year in ntilities, transport ar other basic eommodittes, and that the increases would not have an inflationary effoct.

The public has expressed dismay at the increases, which came only a week after tbo new Government raised old age and disability pensions from the oquivalent of £24 to £35 a month.

The increases mean pensioners will be unable to afford the minimum monthly electricity bill.

Gorbachev steps up drive to streamline Soviet Government

BY DAVID BUCHAN

THE MERGING of the five ministrios responsiblo for tho problem-plagued Soviet farming sector into a new ogricultural super ministry beaded by a first deputy prime minister—announced on Fridoy—is part of Mr Mikhoil Gobachev's drive to streamline tbe Soviet government.

Ho wants to concentrate strategic plauning in super-ministries and Cosplon, and give lower-level onterprisos more autonomy from ministries in doy-to-doy running of their businesses.

Sevoral ministries in the machine building sector were similarly consolidated earlier this autumn.

Significantly, Mr Vsevolod Murakhovsky, who will head the agri-industrial committoo, is o former Communist Party secretary from Siavropol, Mr Gorbaebev's native region in southern Russia.

The morger of the ministrios of ogriculture, fruit and vegetablo growing, rural construction, meat and dairy industry, and tho food processing industry is also soen as a logical continnation of the 1982 food programme, onnouneod under the late President Leonid Brezhnov, but in wbicb Mr Gorbacbev as party secretary for agriculture had a major hand. The koy aim was to provide Soviet farmers wilh better service from supplying industries.

The first ministerial mergers have clearly heen targeted at tho sectors with greatest problems. The oxact state of Soviet farming bas becomo less easy to gaugo since 1980 whon the Soviet Union stopped publishing its grain harvest figures.

Asked in on interview whother this secrecy was to eoncoal embarrassment at recent poor harvest or to enhanco Soviet manoeuvre in buying foreign grain, Mr Anotoly Khorokhorin, tbe agriculture ministry's deputy eblef planner, said: "It is more tbe second factor."

According to US Agriculture Department estimates, this yoor's Soviot grain erop will be around 190m tonnes, up from 170m tonnes last year, but o long way short of torget.

Mr Khorokhorin said the Soviot Union would need to reacb the food programme's goals of 250m-tonne borvests up to 1990 to become self-sufficient, but it was not resignod to being a beavy grain importer indefinitely.

SPANISH REGIONAL ELECTION

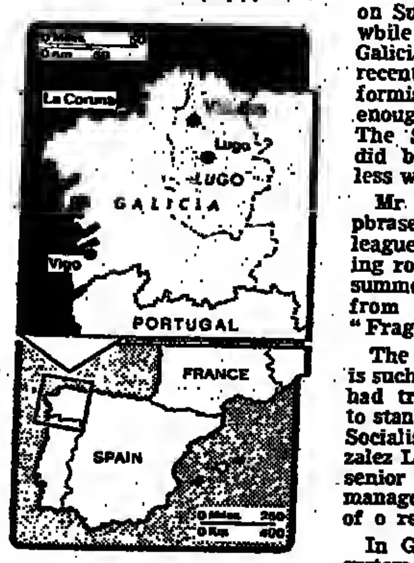
Fraga scores on his home ground

BY DAVID WHITE, RECENTLY IN LUGO

SPAIN'S conservative opposition leader, Mr Monuel Fraga Iribarne, has two firm places in bis native Galicia. One is a bust surrounded by rose bushes in Vallalba, his birthplace in the rural northwestern province of Lugo. The other is his Popular Coalition's dominant position in the region's parliament whicb it defended successfully in last Sunday's election—although the party failed to win an absolute majority and lost some ground to Madrid's ruling Socialists.

There was no qnestion about tbe oncome in Villalba, however. A quiet hilltop town with fine specimens of the long, glassed-in balconies characteristic of Galicia, and tbese days wilb a pair of election posters hanging from every lamppost, every single one of them for the Popular Coalition.

Other parties had to scramble for remnants of space, with the Socialists holed up in trade union beadquarters and the far-left Galician nationalists opting for wall-paintings that eould not be torn off.



For all ibe local oddities and the de riguenr use of tbo Galician tongue—a relative of Portuguese—in election meetings, tbis was as much a nationoi os a regional contest. Unlike the Basque country and Catolonia, which had elections last year, here in Galicia—the third of Spain "bistorie nations" to gain autonomy—there is no major regional nationalist force to distort the poltical choice. With a general election due within a year, this was one match that Mr Fraga's team could play on its home ground.

The outcome is such that all tbe main contestants can claim some kind of victory. In the first election to the 81-seat parliament in Santiago de Compostela four years ago, the centrist UCD, then ruling in Madrid, came second. This has since split np. Half its representatives in the parliament went over to Popular Coalition, creating an absolute majority behind Dr Gerardo Fernandez Albor, grandfatherly president of the *xunta* or regional government.

However, these centrists evidently failed to take all their voters with them. Popular Coalition bad to content itself on Sunday night with 34 seats, wbile a new centrist formation, Galician Coalition, ally of Spain's recently-formed Democratic Reformist Party, took 11. This was enough to hold the balance. The Socialists, with 22 seats, did better than last timo but less well than they bad hoped.

Mr Fraga had (in his own pbrase) put on his "seven-league boots" and been tramping round is bailwick since the summer, ready to move straigbt from this contest into his "Fraga 86" national campaign.

The Right's position in Galicia is such that its main ehallengers had tronble finding candidates to stand for the presidency. The Socialists' Mr Fernando Gonzalez Laxe, o 33-year-old former senior fisheries official, never managed to shake off the image of o reluctant volnnteer.

In Galician politics, the old system of *caciques*—local bigwigs, wielders of influence and captors of votes among a scattered population—is slow in dying. In Lugo province, the most traditional of the four that make up the region, this was displayed to Popular Coalition's own detrimont, wbon local bosses of Sr Fraga's own party, the mainstay of the coalition, fongbt with party headqnarters over plaees in the list of candidates.

The Sociolists have made progress in the region but are vulnerablo, especially after drastie government cuts in shipbuilding, Galicia's chiof industry. Here they can get no reward for securing Spain'a entry to the European Community.

This is the conntry'a biggest fishing region, and opinions are divided obont the future as trawlermen face a further 10 years of restricted access to Community waters. Bot that is not tho worst. Because of its beavy reliance on dairy and meet production, Galicia is the region likely to suffer most from membership, at least in the short term.

A ten-week de facto truce by the Basqne terrorist organisation Eta came to an end yesterday morning wben two Spanish navy marines were shot dead in San Sebastian, writes Dovid White. The lull in violence had prompted speculation about possible progress in contacts between tbe Spanish anthorities and Eta over a ceasefire agreement. However, Mr Jose Barrionuevo, the Interior Minister, said yesterday be believed Eta had no intention of a "pause" in its activity.

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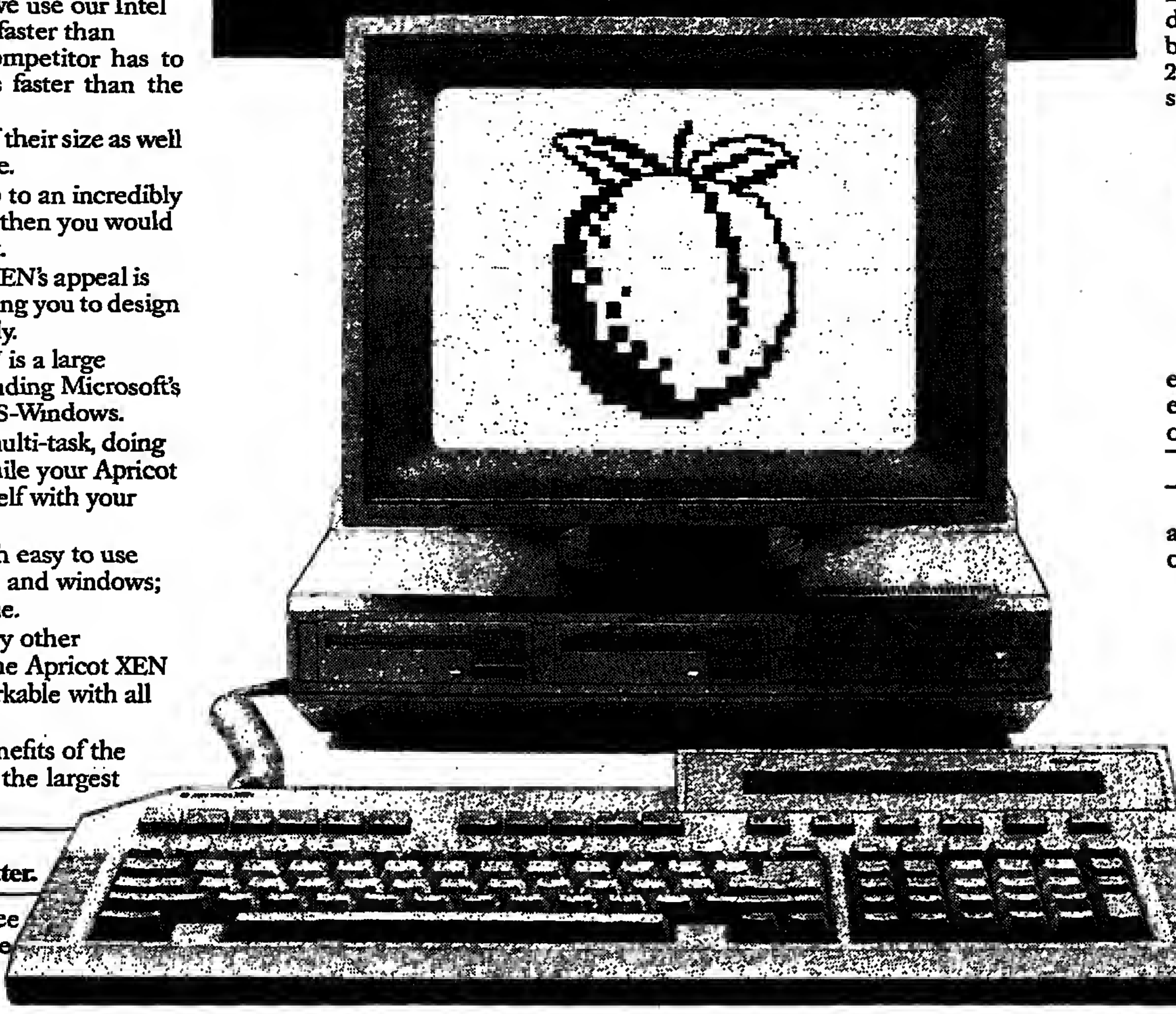

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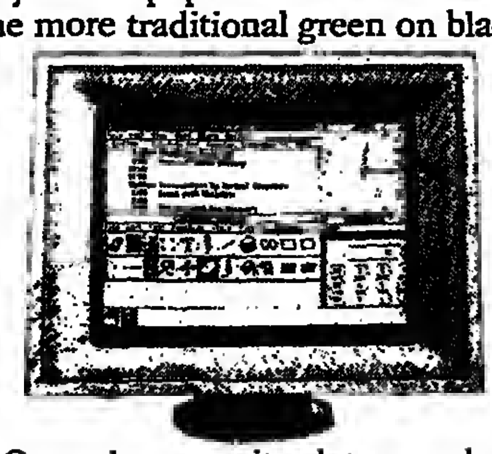

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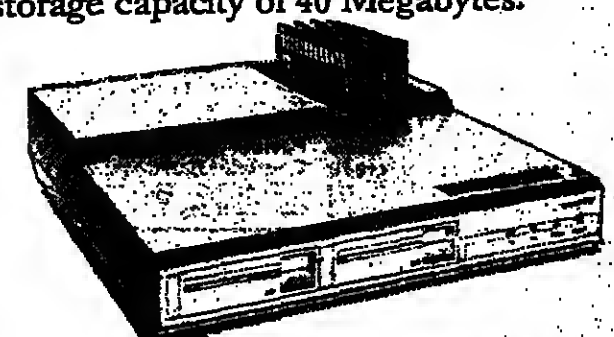

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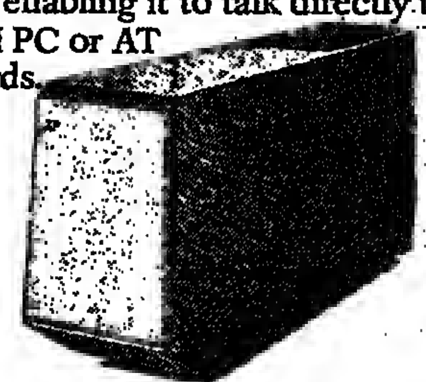

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Argentina wins key backing for UN motion on Falklands

BY ROBERT GRAHAM

BRITAIN is fighting a rear-guard action to prevent Argentina winning an important diplomatic victory in the annual debate on the Falklands which begins at the UN in New York today.

Argentina has now won the support of France and Italy—key members of the European Community—for a much softer motion than has been proposed in previous years. This calls for negotiations between Britain and Argentina to resolve the Falklands dispute and to discuss "all aspects" of the problem. By avoiding direct mention of sovereignty for the first time, Argentina has managed to split the solid front maintained by the EEC since the Falklands conflict in 1982.

Britain is now pinning its bopes on retaining Community support for an amendment to the Argentine motion. The amendment reaffirms the right of the Falkland Islanders to self-determination in accordance with the UN Charter. However, tha Argentine Government has been quick to point out that respecting the Falkland Islanders' right nf self-deermination "unhelpfully" raises the question of sovereignty.

The loss of support nver the Falklands from key members of the Community would be a serious diplomatic blow to Britain. The Argetine Government has devoted much of the past four months to winning diplomatic support from Europe and isolating the Gnvernment of Mrs Margaret Thatcher. In this respect it is significant that the present motion is similar to a statement agreed with Mr Neil Kinnock, leader of the British opposition Labour Party, when he met with Argentine President Raul Alfonsin in Paris two months ago.

In previous years Argentina bas failed to win widespread Community support because tbe motion before the UN mentioned the issue of sovereignty too directly. As a result the Community was able to justify ebstention. But various Community members, especially France, reminded Britein during last year's debate that continued backing could not be taken for grented.

Britain hed originally boped that, by unilaterally resuming trade links with Argentina in July, the Community would be satisfied that London had made sufficient effort to improve relations. This gesture, bowever, appears to bave been considered insufficient by France, Itely and Spain, which joins the EEC in 1986.

The British Government had boped France would reject Argentina's overtures. But sucb bope was dasbed last week when President Francois Mitterrand met Mrs Thatcher in London. The position of West Germany remains unclear but Bonn is thought more likely to support Britain.

Another departure this year, in line with a softer motion, haa heen the way Argentina has persuaded the Non-Aligned Movement to become directly involved. The motion is being sponsored by a group of Latin American countries that inclnde Brazil and Mexico, and non-aligned countries like Algeria and India, whose backing is lent more weight by its status as a Commonwealtb member and current head of the Non-Aligned Movement.

Latest spy 'named by Yurchenko'

A FORMER communications specialist at the super-secret US National Security Agency (NSA) arrested yesterday on charges of spying for Moscow was identified by Mr Vitaly Yurchenko, a senior Soviet intelligence officer, Reagan Administration officials said, Reuter reports from Washington.

The officials said Mr Ronald Pelton was one of at least three former US intelligence officers named as spies by Mr Yurchenko, who defected to the West last summer but returned to Moscow early this month.

Mr Pelton, a 14-year veteran of the NSA, was alleged to have gone to the Soviet embassy in Washington for the first time in 1980 and had heen paid about $35,000 (£24,000) for providing US defence secrets since then, they said.

The arrest of Mr Pelton, 44, now a boat salesman, was the third espionage case to rock Washington in the past five days.

Last Thursday a US Navy intelligence analyst, Mr Jonathan Pollard, 31, was arrested on charges of passing military secrets, mainly to Israel. The next day his wife, Mrs Anne Henderson-Pollard, was arrested for illegal possession of classified defence documents.

Baker debt plan dogged by many doubts

Peter Montagnon explains why the much-vaunted US plan to help Third World debtors has failed so far to result in concrete action

IT SEEMED like a fresh beginning when Mr James Baker, the US Treasury Secretery, leunched his now famous initiative on easing the developing country debt crisis at the Inter netional Mooetery Fund meeting in Seoul last month.

Never before had the US Government taken action towards such an involvement in the debt problem. Even if the Baker scheme was not exactly the work of a visinnary, most bankers and officials thought it brought e new momentum to efforts to solve a problem that was fast re-emerging as a threat tn world monetary and economic stability.

Seven weeks later however, the Baker initiative has still prodnced nothing tangible to help Latin American countries struggling to service more than $350bn in foreign debt. Now, enthusiasm has given way to a nagging feeling that even the most vital and simplest ingredient, momentum, may be lacking.

On the surface, the plan was breathtakingly simple. Commercial banks should commit themselves to lend $20bn over the next three years to the most heavily indebted nations, marking an annual increase of 2.5 per cent in their exposure. That would he accompanied by a similar net amount of $20bn in loans from the World Bank and Inter-American Development Bank, raising lending levels by 50 per cent.

At the same time, under the continuing guidance of the IMF, empbasis on policy making in tha dehtor countries was to shift to bring new hope of growth and economic recoverery.

That the plan might not win the unreserved approval of hauks who would have to continue lending money to countries in deep economic difficulty was clear from the outset. What was less widely expected was the equally ambivalent response of both the debtor countries themselves and of the develnpment banks, who have now moved closer to centre stage.

It is still not even clear which of tbe major debtors will be a test case under the Baker initiative. Attention first focused on Mexico, btu shifted quickly to Argentina as new economic prohlems surfaced in the wake of September's earthquekes.

Mr Paul Volcker, Federal Reserve Board chtirman, visited Buenoa Aires last weekend to urge support for the Baker plan. Mr David Mulford, Assistant Treasury Secretary, has alreedy been there, and Mr Tom Clausen, World Bank President, has put it on his itinerary.

Bnt the government of President Raul Alfonsin is proving coy and its reservations about being a guinea-pig bave found an echo with other debtors too. Their doubts reveal three main areas of concern.

First they are concerned about whet the Baker plan will involve in terms of economic conditions; second that the plan still assumes that dehtor countries will bave to continue running a trade surplus wbich could inhibit growth and clasb with protectionist pressures in industrialised countries; tbird, that against such an uncertain background it is politically risky to be the first of the Baker borrowers.

Commercial banks, to, have many qualms. Little progress is thonght to have beeo made et a meeting of 16 key lenders in Toronto last week, although the basic channels through wbich the Baker plan would be negotieted and implemented are now cleer.

The Torooto group, whicb evolved out of e 14-strong group of banks that has been meeting for some time to discuss the debt crisis, will be the key internetional negotiating body, supplanting the Washington-based Institute fnr International Finance which et first seemed destined for a leeding role.

Its members will report back to their own national groupings of banks and it is through them and their governments that any general loan commitments will be mede.

In practice, however, dealings with individual countries will still be made through existing advisory committees of banks whicb beve spearheaded debt negotiations since the crisis broke lo 1982. That preserves the so-called case-by-case approach in which the banks tbemselves, as well as the US Treasury, still adamantly believe.

Leading US banks have hecn actively touting the plan not least because, if implemented, it sbould ensure the continued flows of interest payments from debtors whicb are vital to their accounts. Banks elsewbere have been qnick, however, to make cooditions on their participation.

One of their main concerns centres round the relationship of the World Bank with the IMF in setting economic policy conditions and with the hanks in establishing new loan facilities. Like debtor governments, commercial banks are uncertain about what the new-style economic adjustment really means, though their interest is that it he tough and effective.

Many also want an improvement in the legal safeguards attacbed to joint lending between the World Bank and commercial banks. Bnt wbat matters most to many European banks is that the U.S. demonstrate clearly a commitment to support an increase in the World Bank's capital. Even if such an increase is not needed immediately, it would be an importeot sign of good faith.

Commercial bankers alsn say that the governments too should put up more money through their export credit guarantee schemes. In other words, they fear that unless they are careful, banks will still find themselves shouldering more than what they see is a fair proportion of the hurden of keeping the debtors afloat.

Finally there are some pressing technical issues. Should regulatory requirements be relaxed so that hanks do not have to put up loan loss provisions while they ere being compelled to tend more money? Would the establishment of one or more trust funds help to keep smaller banks in the lending game, nr would it simply remove from indivirull banks the chance to control their own lending decisions?

The matters boils down to a long list of unresolved questions which the US Treasury, strecbed by tax and budget issues within the Congress, is berd put to answer quickly.

Yet the danger is that, withnut the answers, the Baker plan may hc overtaken by events as potential borrowers give up hope. That is something which many fear but nobody wants. At the moment, however, no-one seems to know how to speed Mr Baker on his way.

Liberals take lead in Honduran election

BY TIM COONE IN TEGUCIGALPA

PRELIMINARY results of Sunday's Honduran general elections give the Liberal Party a six percentage point lead over the main opposition National Party. With just over one third of the 547,589 valid votes computed so far, the Liberals have 51 per cent against 45 per cent for the Nationals. Although voting was compulsory, the turnont was only between 70 and 80 per cent.

Mr Jose Azcona, at the head nf the four Liberal candidates for the presidency, therefore appears to be the likely victor, although his 136,170 votes are well below his main National Party challenger, Mr Rafael Callejas, who has obtained 224,959 votes. Mr Callejas said on Sunday night that he will accept the Electoral Tribunal's Saturday night decision to determine the winner of the elections on the basis of the party, rather than the individual candidate, that gains the most votes.

It was hard for Mr Callejas to accept the verdict since he has polled 41 per cent of the vote compared with Mr Azcona's 25 per cent. The other main Liberal candidate, Mr Oscar Mejia Arellann, bas obtained 20 per cent of the vote and might still be able to wrest the leadership of the Liberal group, and hence the presidency, from Mr Azcona, as the bulk of the rural votes come in.

Mr Arellano is the candidate nfficielly supported by the incumbent Dr Roberto Suazo Cordoba and has the arty machinery behind him. Mr Arellann has done unexpectedly well in the hural areas, capitalising on the image of the dead founder of the "Officialist" line of the party that he represents. Unlike the other eight candidates, Mr Arellano was the only one whose name and fece did not appear on the ballot paper, having instead only the face of the dead founder of the movement.

The National Party vote could still move ahead of the Liberals as the results of the main urban centres of Telegucigalpa and San Pedro Sula come in. Meanwhile National Party leaders have made muted warnings that they might still challenge the final election result despite Mr Calleja's declaration that he would respect it.

One of his campaign managers said Mr Callejas was extremely annoyed with the failure of indelible ink to mark voters' fingers after ballotting. He said that despite guarantees by US nfficials that the ink, supplied by the US, could not be removed for up to two weeks, it had proved possible to remove easily from the skin with a locally available bleach product.

Mr Jnhn Ferch, the US Ambassador in Honduras, said: "Wa regret that one of our products failed to come up to standard, but in the context of these elections it will not significantly affect the results." The indelible ink was being used as an extra safeguard, tha main control against mnltiple voting having been exercised through the use nf identity cerds.

Dominican Republic confusion

By Our Foreign Staff

THE Dominican Republic's ruling Revolutionary Parly's weekend convention to choose a candidate for tbe 1986 presidential elections has broken up in confusion. Both candidates in this centre-left party, Mr Francisco Pena Gomez and Mr Jacobo Majluta, claimed victory, provink violent protests among their supporters that caused at least two deaths.

The unclear convention result and the ensuing violence added to tha tension created by the announcement last Thursday that the security forces had uncovered a plen by militant leftists to assassinate prominent conservative figures. Police continued arresting suspected terrorists over the weekend. No figure haa been given beyond the 17 initially announced, but the police have also issued the names of 11 peoplo they are seeking.

Those arrested are alleged to be members of the Popular Dominican Movement and of the Puerto Rican nationalist group, the Macheteros. But opposition figures have denounced the police action as a move fabricated to discredit the left.

However, the police insisted the conspiracy represented a serious threat to state security. Yesterday they were still guarding the main persons on the assassination list—former Defence Minister Mr Ramon Emilio Jimenez; a well known businessman, Mr Jacinto Peynado end a television hroadcaster, Mr Guillermo Gomez.

US machine tool orders increase 33%

By Terry Dodsworth in New York

THE three month decline in US machine tool orders was halted in October, when the industry achieved a 33 per cent increase in orders to $231.6m (£159.7m).

The rebound was partly attributable to a large deal with the aerospace industry and leaves the industry about 18 per cent below the rata achieved on the same month a year ago. Bot some economists argue that the recovery in the order pattern is a further indication of an underlying upturn in the US economy which will lead to stronger growth next year.

With only two months to go, the industry is now expecting orders to run out at around $2.6bn for the year against $2.9bn in 1984.

The statistics also show a stronger performanee by domestic US producers, who in October accounted for 88.7 per cent of the market against only 83.7 per cent in the previous month. Analysts believe that the fall in the dollar since the summer may be beginning to have an effect on the competitiveness of foreign manufacturers, although the main impact of the currency changes is not expected until next year.

In terms of shipments, the industry suffered a 5.4 per cent decline from a year ago, with sales of $196.3m, while against the figure for September, they fell hy 20 per cent.

Cool-handed Zia set for calm transition

BY JOHN ELLIOTT, SOUTH ASIA CORRESPONDENT, IN ISLAMABAD

PAKISTAN'S military ruler for the past eight years, General Zia ul Haq, is on the brink of pulling off a major coup by steering the country into a form of parliamentary democracy at the end of next month without any sign of major political unrest or violent upheaval.

Barring future mishaps, he is also set to remain President till 1990, and has changed the constitution so that he and his military regime are legally indemnified for all their controversial acts since he took power from the late Prime Minister Zulfikar Ali Bhutto in 1977. Most of the martial law legislation has been transferred into the constitution.

He has checkmated the country's traditional political parties with growing confidence and ease. Opposition leaders have decided to lie low till next year because they know there is no mood in the country for a revolt and they do not want to stage ineffectual disturbances which could give President Zia an excuse to extend martial law.

They argue that the country will continue to be ruled by a repressive regime and hope to garner support for demonstrations in four or five months' time.

There is a sense of apprehension about how the new balance of power between the President, the army and an elected but non-party National Assembly will work in practice. But the general mood is of resignation to the changes planned by President Zia rather than enthusiasm or opposition.

The political stability has been helped by a recovery of the country's economy which is, for the time being, stronger than seemed likely a few months ago. Exports in 1984-85 fell from a planned $3.1bn to $2.4bn and remittances from Pakistanis working abroad dropped sharply from a peak of about $3bn to $2.4bn.

Prime Minister Junejo . . . weak position compared with Gen Zia

More than $1bn was drawn down from foreign exchange reserves which fell by August to only $322m, raising the prospect of the country having to make a formal application for a standby facility from the international monetary fund.

That immediate danger has now passed, thanks to an increase in exports in the four months from July to October of 28 per cent and in remittances of 7 per cent plus an inflow of funds into new Government bonds. "Pakistan has decided not to ask the IMF at the moment for a standby loan" says Mr Mabubul Haq, the former World Bank executive and Planning Minister who earlier this year became Finance Minister.

But the government is still worried about the balance of payments and is finalising plans to change its trading practices by entering into counter-trading arrangements with three international companies. It hopes that this will boost export income by $500m, a year.

"We still have to keep a tremendous pressure up because the balance of payments can slip at any time," says Mr Haq. "I can't count on the remittances any more—we must have permanent exports to replace the remittances."

But Mr Haq is counting on the continued Soviet occupation of Afghanistan to obtain increased economic aid for defence purchases and economic development from the US. Recently he asked the US to double an existing $3.2bn five-year aid package which expires in 1987 for another five years to 1992. US diplomats say Pakistan is unlikely to receive as much as this and Mr Haq is now talking about a "50 to 100 per cent increase." He has also asked for the defence aid to be provided on cheap concessional terms.

President Zia's confidence in the country's stability has been demonstrated by his decision, revealed in a recent interview, to give up his top army post. "I shall retire honourably as Chief of Army Staff by the end of the year as soon as martial law is lifted. I cannot remain in uniform as Chief of Staff and Supreme Commander after that—it would not be logical at all," he said.

He refused to name a date for these events but one popular option for the end of martial law is December 25, the anniversary of the birth of Mohammad Ali Jinnah, founder of Pakistan.

He will remain President, having declared himself elected for five years by a referendum held on his Islamisation policies 11 months ago. He intends to stay in that post till the next elections in 1990 when, he says, he will retire.

The power of the President is still supreme, but Gen Zia will have to share his authority with the man he names as Chief of Staff (possibly Gen Arif, a close aide) and with both Mr Mohammad Khan Junejo, the Prime Minister and the non-party Assembly. Elected early this year, it has been flexing some moderately independent muscles in recent weeks.

However, as a dissident judge puts it: "The President will always be strong and the Prime Minister weak when there are no political parties in the assembly."

President Zia clearly does not want his authority challenged by the emergence of parties, particularly the important People's Party of Pakistan (PPP) now headed by Miss Benazir Bhutto, daughter of the late Prime Minister. Miss Bhutto this month returned to Europe after her second spell of house arrest in Karachi.

Gen Zia claims it is illogical to have political parties operating outside the Assembly when there are no formal parties inside. So he hopes that a new political parties Bill now before the Assembly will ban party activities till the run-up to the next Assembly elections, due in 1990.

The freedom of political activists like Miss Bhutto (who has said she will return early next year) to move around in the country, and the risk of them being arrested, will depend on this Bill because martial laws passed into the constitution recently provide for detention of people causing illegal disturbances.

There was a rural uprising in the southern provinces of Sind two years ago, led by a coalition of opposition parties called the Movement for the restoration of Democracy, aided by almost all the area's feudal landlords.

The movement has little power now but there is a tide of Sind nationalism rippling through the area which could build up in the next few years if current dissatisfaction over domination by the northern province of Punjab and the army is not assuaged.

A Sindi Baloocb Pushtoon front, combining opposition and nationalist forces from Sind and the internationally sensitive provinces of Baluchistan and North West Frontier, which border Iran and Afghanistan, has also been formed. Gen Zia describes it as "just propaganda," but the movement could grow.

For the time being, however, Gen Zia appears to have no challengers to his regime. But he will need all the considerable political skills he has displayed in recent years to balance the forces in the country to achieve his target of remaining president till 1990.

Pakistan is on the threshold of having atomic weapons and there is evidence that India may respond by building its own nuclear arsenal, according to a study released yesterday, which confirms a number of reports over the past year, AP reports from Washington.

Actions taken by both countries mean the threat of nuclear proliferation in South Asia grew substantially during the past year, concluded the Carnegie Endowment for International Peace.

The private, non-profit organisation pointed to the India-Pakistan situation as one of the most threatening to efforts to stem the spread of nuclear weapons around the world.

The study was written by Mr Leonard Spector, author of the group's first non-proliferation study issued in 1984 and a former member of the US Senate staff who helped draft the 1978 US law prohibiting American nuclear aid to countries which might use it to develop weapons.

'No row' likely at HK talks in Peking

By David Dodwell in Hong Kong

THE SECOND session of the Sino-British Joint Liaison Group begins in Peking today with British officials reasserting that the body—set up to ensure a smooth transition of sovereignty in Hong Kong in 1997—is an organ of liaison, not of power.

The comments follow three troubled days in Hong Kong, during which it had been suggested that a row was brewing in the Joint Liaison Group, with Peking pressing for discussion of the Hong Kong administration's plans for political reform to the territory to be included on the agenda. British members of the liaison group are thought to be resisting the demand, since it would appear to encroach on the powers of the present colonial administration.

Mr David Wilson, the Foreign Office official who heads Britain's team on the Joint Liaison Group, insisted in Hong Kong yesterday before departing for Peking that there was "no row over the agenda." He said he was "totally confident" that the meeting would be a good one, conducted in a "co-operative atmosphere." He refused to disclose what will be discussed at the meeting.

Concern was aroused in Hong Kong last week after comments made by Xu Jiatun, head of the New China News Agency in Hong Kong and the most senior Chinese official in the territory, in an unprecedented news briefing exclusively for Hong Kong's Chinese-language press.

He said that China would not like to see hasty political change in Hong Kong between now and 1997, regards the territory's post-1997 political structure as entirely its own concern, and is worried by "deviations" from the spirit of the Sino-British joint declaration.

The comments, which upset the Hong Kong stock markets and had government officials called into emergency meetings, were seen by many as an attempt to interfere in the Government of Hong Kong before Peking regains sovereignty.

The Joint Liaison Group first met in London in July. The present meeting in Peking is due to continue until Friday. The next session planned for early next year, will be in Hong Kong.

● Britain had evaded its responsibility to British nationals in Hong Kong because of a "pathological fear" of non-white immigration according to a report of the Joint Council for the Welfare of Immigrants, an independent UK pressure group.

Manila set to draw on IMF credit

By Peter Montagnon in London

THE Philippines should be able to resume drawing on its SDR 615m ($604m) credit from the International Monetary Fund by mid-December, Mr Cesar Virata, the Prime Minister, said in Manila yesterday.

That will follow approval by the IMF's board of a new economic stabilisation programme, allowing this year's budget deficit to rise to 13bn pesos ($730m) from an original target of 6.9bn pesos, he said.

The new programme was agreed this month with a visiting IMF staff mission but has only now been endorsed by Mr Jacques de Larosiere, managing director, for submission to its executive board.

Under a revised drawing schedule, the Philippines will receive SDR 212m in December, part of which has been held up since September while the economic programme was reviewed. Drawings on a separate $925m commercial bank credit are also now set to resume.

The Philippines had sought a relaxation of economic targets because the country's poor economic performance reduced tax receipts, making the original budget estimate impossible to meet.

Iran intercepts Kuwaiti vessel

IRAN said yesterday that its navy had stopped a Kuwaiti cargo ship close to the Iran-Pakistan border, the easternmost point it has intercepted a vessel in the five-year-old Gulf war with Iraq, Reuter reports from Tehran.

The national newsagency Irna reported that the 23,618-tonne "Ibn al-Bitar," owned by the United Arab Shipping Company, was stopped off Iran's south coast some 400km east of the Strait of Hormuz

Irna said the navy intercepted seven ships in the Gulf of Oman on Sunday to check them for goods destined for Iraq.

Judge in S. Africa rules mass hospital sackings invalid

BY ANTHONY ROBINSON IN JOHANNESBURG

A SUPREME Court judge yesterday set a precedent which could lead to the re-instatement of many of the 1,800 nurses and auxiliary workers sacked last week from Soweto's Baragwanath hospital.

After hearing an application against unlawful dismissal brought by a student nurse who was on leave at the time of the strike, Mr Justice Goldstone ruled that Dr Chris van der Heever, the hospital administrator, should have decided each case individually and that the blanket termination of employment of the entire student nursing body was invalid.

The judgment appears to strengthen the hand of the three black trade unions which are trying to persuade the Minister of Health to intervene directly in a dispute which has crippled the largest hospital in Africa and seen the army step in to help provide emergency services.

Meanwhile, in a separate labour development, Mr Clive Knobbs, chairman of the Barlow Rand gold mining subsidiary, Rand Mines, and who is also president of the Chamber of Mines, announced yesterday that the company intended to recruit black miners locally for some of its gold mines close to Johannesburg. The first mine to recruit local black labour which will commute from nearby black townships will be the East Rand Proprietary Mine east of Johannesburg.

The company is also investigating a home-ownership scheme which would help black staff who qualify to build their own homes in future in townships near the company's mines.

The traditional pattern of the mining industry is for the bulk of black miners, over 40 per cent of them foreign immigrants, to live in one-sex hostels on mine premises.

● Sir Shridath Ramphal, Commonwealth Secretary General, yesterday announced the names of his group of "eminent persons" to encourage political dialogue in South Africa in a new anti-apartheid initiative.

Lord Barber of Wentbridge, chairman of the Standard Chartered Bank and a former UK minister; Dame Nita Barrow, a president of the World Council of Churches; Mr Malcolm Fraser, former Australian Premier; Gen Olusegun Obasanjo, former Nigerian head of state; Mr John Malecela, former Tanzanian government minister; Sardar Swaran Singh, former Indian government minister and Archbishop Edward Scott, Primate of the Anglican Church of Canada.

Paris still hopes for deal over Greenpeace bombers

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is still hoping for the early release of the French foreign intelligence agents sentenced last week to ten years imprisonment each for their part in the blowing up of the Greenpeace boat, the Rainbow Warrior.

This became clear yesterday with remarks by Mr Laurent Fabius, the Prime Minister, confirming that Paris would be seeking negotiations with New Zealand to enable the two officers to return to France.

Mr Fabius's comments implicitly ignored statements by Mr David Lange, the New Zealand Prime Minister, that Captain Dominique Prieur and Commander Alain Maffart would have to remain in prison for at least five years. Mr Lange was reported as saying that there could be no question of deporting them to France until they would normally be eligible for parole after about five years.

Mr Lange rejected any idea that France would retaliate by blocking New Zealand trade shipments. "That would be regarded as outrageous in Europe if they did that," he said. "It would be laughing stock stuff."

None the less, the fact that the French have negotiations uppermost in their mind was confirmed over the weekend in statements by Mr Paul Quiles, the Minister of Defence.

● France on Sunday exploded a seven-kilotonne nuclear device at its Mururoa Atoll test site, New Zealand scientists told Reuter in Wellington yesterday. Meanwhile, Mr Lange said the US had rejected an offer to discuss the wording of New Zealand's proposed anti-nuclear legislation.

20m Chinese face probe in mass purge of party

BY ROBERT THOMSON IN PEKING

A CAMPAIGN to purge the Chinese Communist Party of corrupt and politically deviant members is to swing into its largest phase with more than 20m rural members having their status scrutinised.

The so-called "consolidation" campaign is part of the strategy of Deng Xiaoping, the Chinese leader, to rid the party of political opposition, particularly "leftists" who could threaten his pragmatic economic reform.

Party members found to be turning the reforms to their personal gain through corruption will also be excommunicated in this third and final phase, which has been heralded in a circular issued by the party's consolidation committee.

For some, membership of the 40m-strong party has become a passport to wealth and influence. One young black marketeer recently explained to the Financial Times that he had applied to join the party so that his future would be secured when it comes time to settle down.

The consolidation began in late 1983 and has already cleared out unwanted members from central and municipal party bodies. Chinese officials have estimated that, in all, about 1 per cent of members will have lost their positions when the programme is completed in about a year.

Rural areas are the target of this final phase, which aims to remove or re-educate the incompetent, the "degenerate," and those under "the long-time influence of leftist thinking," and to deal "in real earnest with those who have made grave mistakes."

Chinese students' pact with Communist Party

CHINESE television led its national news last night with scenes of student leaders agreeing to obey the Communist Party, Reuter reports from Peking. Diplomats said this was a new sign of official anxiety over student protests.

The television news said more than 80 senior party veterans spent all Sunday in Peking's Great Hall of the People talking to college representatives.

The veterans, including Bo Yibo, senior Communist Party adviser, and Huang Hua, former Foreign Minister, told the students about their patriotic predecessors who demonstrated against Japan's occupation of north-east China 50 years ago.

They said students should follow their example and obey the party during official celebrations of the 1935 student protests, which are planned for December 9.

"Through talking with these old comrades . . . we have gained a greater understanding about many subjects on which we were not clear," one woman student said in the television interview.

Students in at least two cities demonstrated in September and October against Japan's view of the wartime past and the flood of imports from Japan under the "open door" policy of Deng Xiaoping, China's leader. Some called the flood of imports "a second Japanese invasion."

A few demonstrators, using the anti-Japan platform, have hung illegal posters attacking official corruption which they associated with Deng's emphasis on profit incentives rather than on communist idealism.

Peking University students staged their latest anti-Japanese protest last Wednesday on campus and in the city centre, after China's women's volleyball victory over Japan – in direct defiance of official instructions.

Western diplomats said the protests might be an attempt by Communist Party conservatives to use the patriotism of some students against the leadership's liberal economic reforms.

Gatt revises trade growth forecast to 3%

BY WILLIAM DULLFORCE IN GENEVA

The growth in world trade is slowing even faster than estimated two months ago, Mr Felipe Jaramillo, chairman of the General Agreement on Tariffs and Trede (Gatt), reported yesterday. He warned against the "inertia of trade policy makers" in the face of an impending trade crisis.

The Gatt Secretariat believes that this year's trade voluma will be less than 3 per cent above last year's. In September it had downgraded an earlier growth forecast of between 5 and 5.5 per cent to less than 4 per cent. The sharp deceleration contrasts with the 9 per cent growth recorded in 1984.

Mr Jaramillo yesterday called on the Gett annual meeting to give a "clear and coherent" signal to the business world thet it would deal *effectively* with the problems threetening the international trading system.

The 90 countries belonging to Gatt are due this week to establish a committee to prepare for a round of global trade negotietions next year. The thrust from the US and other industriel nations to get e new round going has run into resistance from developing countries seeking to extract guerantees that their economic interests will be given priority.

Telks aimed et finding a compromise ere expectad to continue on the sidelines of the annual meeting right up until the general debate which is scheduled to open this aftarnoon. Mr Jaramillo yesterday spelt out the urgency of the situation.

The slackening in world trade this year stems partly from the decline in economic growth in the US, Japan and parts of South-East Asia. But there has also been a dramatic change for the worse in the relationship between economic growth and world trade over the nast decade.

"We are getting less trada growth per unit of economic growth," Mr Jaramillo said.

The Gatt trading system had been undermined in recent years by ill-advised policies and a growing crisis of confidence in the system itself. The feeling that "Gatt is not working" had contributed to an increase in market sharing and bilsteral trading arrangements and to the threet now overbanging Gatt's existence. Mr Jaramillo said.

"In summing up the background to our meating, I would bave to conclude that, if they were left to run their course, present economic and political trends would be likely to have disastrous consequences." Mr Jeramillo said.

He put the Gatt meeting in the context of recent "encouraging developments" in international monetary policy and the Third World debt crisis. The Group of Five finance ministers had given in September a welcome demonstration of political will in the monetary field (by announcing action to depreciate the dollar).

At their annual meeting in October the International Monetary Fund and the World Bank bad shown new determinatioo to bring relief to the debt problem.

It was therefore more difficult for Gett countries to argue that action in the trade field was made impossible by the disarray in other economic policy areas, Mr Jaramillo said.

The business world, he warned delegates, was waiting for the outcome of this year's annual meeting with more attention and concern than for many years past.

US car industry 'faces growing imports threat'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE US car industry could be heading for overcapacity, collapsing prices and financial difficulties — problems which bedevil tha west European manufacturers — according to the latest report from the DRI forecasting group.

DRI says the US industry is rightly disquieted by the attention its bome market is being accorded by the world's motor companies.

"Capacity around the globe is being focussed on the US in e way which makes a collision between rising import sales and a declining market appear inevitable," it says.

DRI points out that the anticipated further penetration of the North American market by non-US companies comes firstly from the Europeans.

Not only is the number of European manufacturers attacking the US merket on the increase but those already established are planning to send more models for the top range of the market.

Second, low-priced cars from producers such as Hyundai of South Korea and Zastava of Yugoslavia will close gaps at the bottom of the market.

In eddition, the relaxation of the restraint agreement with Japan offers the prospects of rising direct imports from that country.

All the major Japanese car companies plan to set np assembly plants in the US and by 1990 will have the capacity to prodnce 1.5m cars a year in North America.

DRI indicates that the US manufacturers are deeply involved in the changes. General Motors (GM), the industry leader, for example, is a direct importer of Jepanese cars (from Isuzu and Suzuki) and takes the bulk of the output from the Californian joint venture factory it shares with Toyota of Jepan.

GM also has plans to source cars from Sonth Korea (from Daewoo) and will probably import top-of-the-range products from Europe—from Pininfarina in Italy and its own Opel subsidiary in West Germany.

DRI suggests that "non-traditional" supply eources will provide up to 2m more cars to the US customers, equal to 20 per cent of the market.

Declining output for the three major domestic companies, heightened competition and growing protectionism will follow.

The report predicts that North American car output could decline from 8.8m last year to 8.3m in 1990, in spite of an increase in demand from 11.4m to 12.6m.

DRI says the Japanese are preparing for the day when the decline in the value of the US dollar will increase the relative ettractiveness of the West European market and are already looking for ways round the trade barriers there.

"The persistent financial problems of the European industry make it more likely that Japanese companies will find willing partners as e way round the barriers," it suggests.

"DRI World Autos Forecast Report." £950 from 30 Old Queen St, London SW1H 9HP.

DRI'S SALES AND PRODUCTION FORECASTS

(thousands)	1980	1984	1985	1986	1990
WORLD					
Sales	28,843	30,467	31,309	31,758	35,248
WESTERN EUROPE					
Sales	10,119	10,161	10,256	10,592	11,341
Production	10,347	10,723	10,957	11,281	12,209
PRESENT EEC					
Sales	8,587	8,607	8,642	8,930	9,532
Production	9,083	9,173	9,328	9,580	10,330
NORTH AMERICA					
Sales	9,907	11,357	11,821	11,560	12,658
Production	7,212	8,840	8,713	7,816	8,366
JAPAN					
Sales	2,854	3,096	3,151	3,207	3,528
Production	7,038	7,073	7,491	8,042	8,607
SOUTH KOREA					
Prodoction	57	159	236	305	494
Exports	15	49	104	164	302

Source: DRI.

Alfa-Laval wins order to build Egypt farm complex

BY OUR NORDIC CORRESPONDENT

ALFA-LAVAL, the Swedish engineering and dairy equipment group, has won a SKr 200m (£17.9m) order to build an integrated dairy and farm complex in Egypt.

The contract has been awarded by a newly formed company, Dallah Agricultural Investment and Animal Prodnction Company (DAIAPCO), in which the main shareholder is the Jeddah-based Saudi Arabian businessman Sheikh Saleb Kamel.

The project includes the establishment of several farms with a total of 8,000 cattle including 4,000 dairy cows, a dairy, waterworks and animal feed plant.

Construction will begin early next year and should be completed during 1988.

Swedish shipyard signs ferries agreement

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

KOCKUMS, THE Swedish etate-owned merchant shipbuilding yard, has signed a preliminary agreement to build two combi-ferries for a new shipping line that is planned to operate between Malmö in southern Sweden and Travemünde in West Germany. The order could be worth around SKr800m (£71.4m).

Mr Göran Herslow, Kockums' managing director, said yesterday that he was confident that the definitive contract could be signed by the year end.

The yard needs the order to maintain employment next year. The deal would be a welcome replacement for a SKr400m Polish ferry order which Kockums was forced to cancel last week.

The contract for a coal-powered ferry was signed with the Polish shipping line Polska Zegluga Batycka (PZB) in September, but the Polish authorities failed to approve it.

The preliminary contract signed yesterday with MTL (Malmö-Trave-Line) calls for Kockums to deliver two combi-ferries in the spring and eutumn of 1987.

MTL is part of the international Wasa/Hega group backed by Mr Hubertus Goer, the West German businessmen. Its ferry line should begin operations in spring 1987.

Industry and commerce in southern Sweden have been pressing for several years for improved communication links with Continental Europe and have waited in vain for the Danish and Swedish governments to approve the building of permanent road and rail links between the two countries ecross the Oresund.

UK and India sign Sea Harriers deal

BY JOHN ELLIOTT IN NEW DELHI

BRITAIN is to supply India with 11 Sea Harrier jump jets together with Sea Eagle missiles following the formal signing in New Delhi last night of a contract worth £150m to £160m for British Aerospace and Rolls Royce.

This is the first major defence contract India has signed with the UK since diplomatic relations between the two countries soured a year ago because of the activities of Sikh extremists in Britain. India makes defence purchases from both Europe and the Soviet Union.

Negotietions were stalled earlier this year because of the diplomatic fracas between the UK and India. Last night's signing demonstrates the improved relations between the two countries now the UK is taking tougher action to deal with Sikh extremists.

The negotiations were finalised last month just before the visit to the UK of Mr Rajiv Gandhi, India's Prime Minister. However, the signing bed to ewait further talks on details of the contract, including the supply of sophisticated weapons software.

The contract follows a £50m order placed in 1979 for eight Sea Harriers which are in service with the Indian Navy.

Sea Eagle missiles were first ordered two years ago as part of a £200m contract for Westland Sea King helicopters. The missiles are to be used by the Nevy to arm the jump jets, as well as the helicopters.

The UK hopes to press ahead with negotiations that have been stalled for about a year on a general memorandum of understanding on defence-equipment co-operation. The two countries are also having talks on the possibility of India buying the Royal Navy's Hermes aircraft carrier. In addition, the UK has tendered for a major £700m howitzer gun order.

Finalisation of an expected £65m order for Westland 30 helicopters to provide India with oil field and other air transport services is being delayed pending trials ordered by the country's helicopter corporation.

Chinese vehicle imports curbs encourage Nissan

BY ROBERT THOMSON IN PEKING

NISSAN, the Japanese vehicle manufacturer, says its plan to establish a commercial vehicle joint venture in the northern Chinese province of Jilin has been mada more ettractive by the Chinese Government's tighter controls on vehicle imports.

The Government bas announced that most vehicle imports will be banned for two years following a flood of foreign cars into China which contributed to the sharp decline in the country's foreign exchange reserves.

Nissan is close to agreement with Jilin provincial authorities to build a pick-up truck and van plant with an initial annual output of 5,000 units, and a second phase capacity of 10,000 units.

However, the company said the project had yet to receive the Chinese Government's approval, necessary before the provinciel authority can commit itself.

The Japanese company demanded that the province agree not to export the completed vehicles. After initially refusing to comply with tha demand, tha provincial officials agreed.

Nissan said many of the thousands of vehicles it had exported to China were sold through Hainan Island, where authorities had taken advantage of duty concessions to resell the cars on the mainland at a huge profit.

Nissan said China had not banned all foreign vehicle purchases. The company bas recently received an order for several hundred commercial vehicles.

French win Singapore transit system contract

BY DAVID HOUSEGO IN PARIS

GTM INTERNATIONAL and Spie-Batignolles, the French construction groups, have won a FFr 350m (£30.7m) contract for building part of the Singapore Mass Transit System.

The contract covers some 6 km ef overhead viaduct for the line and two stations. It is one of the largest contracts for the system which has attracted bidding from Japan, South Korea and other European contractors.

GTM will be carrying out the work—expected to last three years—in conjunction with Societe Nouvelle Coignet Entreprise, which is a subsidiary of Spie.

It is currently working with Coignet on a 15,000 unit housing scheme in Singapore pleted.

GTM and Coignet have also recently handed over to the Singapore authorities a section of the urban motorway which was completed four months ahead of schedule.

UK NEWS

Delay in power link between Britain, France

BY MAURICE SAMUELSON

PLANS TO help to meet Britain'a peak demand for electricity this winter with cheap power from France have been abandoned because of delays in completing the £760m, high capacity cross-Channel cables linking the two countries.

The first steady flows of French electricity into the UK grid are now not expected until March or April, about three months later than planned.

As a result, the Central Electricity Generating Board (CEGB) has had to delay phasing out some of its small but expensive, oil-fired plants in south-east England, which the imported electricity is due to replace.

The project is being constructed jointly by the CEGB and Electricité de France (EdF), the CEGB's French counterpart. Although it was originally envisaged that the two countries would swap power at peak demand hours to take advantage of their time differences, the low cost of French nuclear power means that England will be importing base-load electricity around the clock.

Under an initial one-year contract, the two utilities have agreed a price lower than the average price of UK coal-fired electricity but somewhat higher then the domestic French price of nuclear power.

However, with stocks of coal at the CEGB's main base-load power stations back at satisfactory levels after the ending of the miners' strike, the delay will not jeopardise security of Britain's winter power supplies. Instead, it will add to the cost of meeting peak hour demand by expensive oil or gas turbines.

When completed, the cross-Channel link will be able to carry 2,000 Mw of power, equalling the output of one of Britain's biggest coal-fired plants.

After delays in the past few weeks, electricity officials say the first stage will start transmitting 500 Mw of power through two 250 Mw cables by March or April, building up to 1,000 Mw next summer. The second 1,000 Mw section is due to come on stream a year later.

Difficulties experienced by both EdF and the CEGB are the cause of missing the winter deadline. A break was discovered in the first 250 Mw cable laid by the EdF. Unspecified trouble was also found on one of the cables installed by CEGB. The difficulties were discovered at the end of last month when the first tests were to have been carried out.

In spite of the miners' strike, the CEGB last February had to meet an all-time record demand for 46,000 Mw, compared with its total capacity of 51,000 Mw. If the Meteorological Office is to be believed, this winter should be less severe.

The high level of coal stocks means that the CEGB is not only confident of security of supplies but is able to use its power stations, which vary in efficiency and running costs, as economically as possible.

State may promote gas competition

BY KEVIN BROWN

THE GOVERNMENT is considering amending the Oil and Gas Enterprise Act to promote competition in the gas industry after the privatisation of the British Gas Corporation, ministers said yesterday.

Mr Alick Buchanan-Smith the Energy Minister, told MPs in the House of Commons: "There is scope for competition in this area and I can assure you it is something we shall be looking at." He said the Enterprise Act, which gives independent producers the right to use British Gas pipelines to deliver direct to customers, had brought great competitive benefits to the industry despite the lack of any specific agreements.

The changes being considered by the Government are thought to include provisions to encourage independent producers to take advantage of the act by obliging British Gas to help regulate supplies.

Philip Stephens on the Government's attitude to earnings

Tories' dilemma over pay awards

AN ATTACK by Mr Roy Hattersley, Labour deputy leader, at the weekend on what he termed the Government's schizophrenic attitude to the level of pay awards will have touched more than one raw nerve in Whitehall.

The Government's own advisers appear increasingly concerned that its message to wage bargainers has become obscured amid a recent spate of ministerial statements and seemingly contradictory handouts from Conservative Central Office.

As the parliamentary by-election in Tyne Bridge, north-east England approaches, the official publicity machine has had to reconcile the wish of party managers to claim credit for the rise in earnings since 1979 with a more general view that high pay awards are bad for the economy.

It has not so far had a great deal of success. After the public reconciliation last week between Mr Nigel Lawson, the Chancellor of the Exchequer, and the Confederation of British Industry, the employers' organisations when the latter urged its members to hold down pay awards, Central Office took a rather different line.

It used a party political broadcast to highlight the Government's success in presiding over a 13 per cent increase in real, or inflation-adjusted, earnings for those in work since 1979.

Three different ministers also made public pronouncements on pay last week and the message from each, although not contradictory, appeared subtly different.

Mr Kenneth Clarke, the Paymaster General, stressed that companies should resist increases in real earnings which were not justified by parallel gains in productivity.

Roy Hattersley

Nigel Lawson

Mr Leon Brittan, the Trade and Industry Secretary, took a rather different tack. Not only should pay awards not exceed increases in productivity, they must be below them, he said. In that way job opportunities would arise for the unemployed.

In a third speech, Mr Lawson chose to highlight what he called the more sensible attitude to pay adopted by small companies as opposed to the big battalions of industry.

All three were arguing in the same direction – pay should be lower – but the extent to which the Government thinks it can, or should intervene to influence wage deals is not so clear.

Part of the problem is that having rejected any official pay policy and as a corollary of the official commitment to competitive market forces, the Government cannot be seen to have one definitive line for pay in different companies or sectors.

The official approach inevitably shifts over time. Last year, for example, ministers tended to adopt a blanket "high pay deals are bad" tack.

Hence Mr Lawson commented in his Mais lecture: "It was the failure of wages to adjust at a time of falling inflation that was responsible for much of the increased unemployment from which we continue to suffer."

Later, in his address to the International Monetary Fund, Mr Lawson stressed that many of the new jobs he expected in Britain would have to come from "no-tech" industries.

In recent months, ministers have become aware of the potential electoral unpopularity of any notion that they are seeking to encourage a low-productivity, low-wage economy.

Lord Young, the new Employment Secretary, has been particularly keen to stress that high wages are fine as long as they go hand in hand with similar rises in productivity.

On that basis the growth in unit wages costs – now running at about 6 per cent a year in manufacturing against the flat or falling trend in Britain's main competitors – could be curbed.

Mr Lawsoo has also taken to emphasising the virtues of productivity gains for the long-term health of the economy. In a recent speech he said that although the 30 per cent increase in productivity in manufacturing over the last five years had an adverse impact on jobs in the short term, the effect would be beneficial over a longer timespan.

The Government has, therefore, tended to stress its opposition to the "going rate" mentality which it says still prevails in much of industry.

This leads, it argues, to pay rises in profitable companies with a good productivity record being matched by similar increases in less efficient business.

The problems with this slightly more sophisticated approach to pay, with its emphasis on the growth of unit wage costs, is that even on the Government's own reckoning it will not take account of the unemployed.

Companies may, and do decide to trade jobs for higher pay, allowing them to claim that real earnings are being matched by productivity gains. The result, as one Whitehall official put it, is that "the whole of the benefit of economic growth is appropriated by the employed."

So Mr Lawsoo found himself last week suggesting that when setting wage rates the companies should consider not just the long-term interests of their businesses and their workforces but also those of people looking for work.

It would be hard to question the sentimeot behind such calls hut it is more difficult to square them with the Government's commitment to free markets.

High Court rejects Ulster Unionists' challenge

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE ATTEMPT by leading members of the Ulster Unionist Party to challenge through the courts the Anglo-Irish agreement on Northern Ireland has again been rejected by the High Court.

After hearing lengthy submissions in open court yesterday, Mr Justice Taylor ruled that there were no grounds for giving the Ulster Unionists leave to seek judicial review of the agreement.

A similar decision had been made by Mr Justice Mann last week, after he had privately considered the documents supporting the claim.

Lawyers for the Unionists – Sir George Clark and Mrs Hazel Bradford, respectively president and chairman of the Ulster Unionist Council; Mr James Molyneaux, MP, leader of the Ulster Unionist Party, and Miss June Turner, chairman of the Ulster Young Unionists – said after yesterday's ruling that an appeal to the Court of Appeal would be considered.

The Unionists' case was presented yesterday by Mr Mark Littman, QC, who stressed that they were not arguing the political merits of the agreement but asserting that, as a matter of law, it could be implemented only through an Act of Parliament.

The proposed establishmeot of an inter-governmental conference, which would influence Government conduct without parliamentary authority, would be contrary to law on three bases:

- It would fetter the exercise by the Northern Ireland Secretary of his statutory powers and duties.
- It would be contrary to the Union with Ireland Act of 1800.
- It would be at odds with the 1973 Northern Ireland Constitution Act.

Rejecting all three arguments, Mr Justice Taylor said that the cooference would bave no legislative or executive powers and would oot cootravene any statute, rule of common law or constitutional convention.

The conference would be of an international nature, the agreement being in the field of international relations and akin to a treaty.

Banks seek reassurance over Liverpool rescue

BY RICHARD EVANS AND IAN HAMILTON FAZEY

THE SOLUTION to Liverpool's financial crisis remains in the balance, despite the approval yesterday by the city's finance committee of an alternative budget to avert insolvency.

The compromise package, conceded by the city's left-wing leadership on Friday after growing pressure from the trade unions and Labour Party, still hinges on the "approval and support" of the Department of the Environment to a £30m deferred purchase scheme being negotiated on Liverpool's behalf by Phillips & Drew, the City of London stockbrokers.

No government approval is normally required when local authorities go to the money markets. But in the case of Liverpool, the foreign bankers involved are seeking a ministerial statement of support before they are willing to proceed.

Officials believe the form of words sought could amount to a guarantee, which would be unacceptable. An agreed formula could therefore be difficult to find.

No statement is likely to be made by Mr Kenneth Baker, Environment Secretary, until more details of the package are known and until the full Liverpool City Council ratifies it on Friday.

Other conditions attached to the deferred purchase scheme are that the council balances its books for both this financial year and next and that it undertakes not to act "in an unlawful manner."

The key to the Labour group's compromise is the capitalisation of £23.4m of housing repair and maintenance money which will be used to pay for jobs and services to the end of the year.

Mr Tony Byrne, Liverpool finance committee chairman and the key council figure in the negotiations, had rejected capitalisation because it would affect adversely the council's ambitious house-building programme. But this will now be financed through the Phillips & Drew deal, under which repayments will be delayed until 1987-88.

Other elements in the package include acceptance of the £3m loan facility offered by Labour-controlled local authorities and expenditure cuts of £3m to be found by the council's various committees.

Both ministers and Labour Party leaders remain deeply suspicious of elements in the package. Since Liverpool will be ratecapped (government-imposed limit on local property taxes) next year and has already used up most of its "creative accounting" devices, they fear that a budget balance will still be impossible to achieve without substantial cuts in services or a hefty rates rise.

Next year's expenditure limit is likely to be £245m compared with this year's deficit budget of £265m. Another round of conflict could be inevitable if the council's leadership – supporters of the far-left Militant Tendency – remains in power.

There are already indications that Mr Byrne hopes to negotiate another deferred purchase scheme next year. Mr Byrne said the city's capital programmes had been guaranteed by the package for this year and next and the country would then be in a general election period.

"After that, we will have a Labour government and let's hope they behave a bit better in government than when they are in opposition," he said.

Pilot plan to help long-term unemployed

By Alan Pike, Industrial Correspondent

A PILOT TEAM has been assembled by the Government's Manpower Services Commission (MSC) to test a new one-to-one initiative to help the long-term unemployed.

Under the proposal, long-term unemployed people will be invited to MSC Jobcentres for individual interviews and counselling. The interviews are intended to lead to work, or to one of its alternatives such as places on the government-aided Community Programme or training schemes.

Where the interviews show it to be necessary, long-term unemployed people will be offered places on a new training course – lasting up to two-weeks – to improve their basic work skills.

If the pilot scheme proves successful, the Government is likely to decide to begin making the interview and counselling service available to all 1.3m long-term unemployed people next year. That would involve substantial increases in MSC resources.

The MSC has told Lord Young, Employment Secretary, that it must have an assurance of adequate extra resources even to run the pilot scheme.

"The commission wants to make a quality job of its work for the long-term unemployed and needs to ensure that adequate resources are available," Mr Bryan Nicholson, MSC chairman, said.

Long-term unemployed people are defined as those who have been without work for at least a year.

There are now 160,000 people working on the Community Programme, under which the long-term unemployed carry out projects of social value. Mr Nicholson is confident that the programme will meet its target of 230,000 filled places by May.

That means the Government may consider a further expansion of the programme in the budget next spring. MSC officials believe there is scope for continued growth at a rate of 10,000 places a month. Efforts are being made to encourage private industry to join local authorities in sponsoring projects.

Wages on the Community Programme – where much of the work is part-time – are restricted to an average of £63 a week. MSC commissioners decided last week to write to Lord Young suggesting that that should be reviewed, particularly in view of the 8 per cent pay settlement for local authority manual workers. Many Community Programme payments are based upon local-authority pay scales.

Trade performance lifted by recovery in N. Sea output

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S visible trade was in exact balance last month as North Sea oil production continued to recover from the low levels recorded in the summer months, boosting fuel exports and cutting imports.

The Department of Trade and Industry said yesterday that the improvement from September, when there was a deficit of £230m, gave an estimated surplus of £400m on the current account of the balance of payments in October.

This reflects projected net earnings from invisible transactions such as tourism and banking and remittance of profits on investment abroad.

The better performance last month left Whitehall officials relatively confident that the Government's forecast of a current account surplus of £3bn for the whole of this year is still within range.

For the 10 months to October the surplus was £1.7bn but that is expected to be boosted by a further £500m with the payment of a rebate due from the European Community.

Last month's figures show that higher North Sea output boosted oil exports by £89m to £1.2bn, while imports fell by £27m to £477m. The surplus on trade in oil rose to £760m after three consecutive months when it was below £700m.

The department said that the volume of overall exports rose by 4 per cent in October, while imports fell by about 1 per cent.

The underlying trend of non-oil exports is still downwards, with sales abroad of manufactured products showing a decline of 3½ per cent in value terms over the last three months. At the same time, the trend in imports has been upwards.

Officials were pointing out yesterday that the volume of non-oil exports remains around 7 per cent higher than a year earlier. They suggested that the latest figures could signal some slowdown in the pace of the decline seen since the early months of this year.

The Government still anticipates that the growth rate of exports will slow sharply next year in response to sterling's recent strength against other currencies.

It forecast in its autumn statement on the economy earlier this month that total export volumes will rise by between 2 and 3 per cent in 1986, compared to the 7½ per cent increase expected this year.

In contrast, the volume of imports is projected to grow by 5 to 6 per cent next year against a 4 per cent rise in 1985.

Minister resists inquiry into metal exchange

By Ivor Owen

DEMANDS for an inquiry into the events leading up to the suspension of trading by the London Metal Exchange were not accepted by Lord Lucas, Under Secretary for Trade and Industry, in the House of Lords last night.

When pressed by Lord Williams, a Labour spokesman, to express approval in principle for an inquiry, the minister urged him to await the completion of the current negotiations and the return of orderly marketing.

Lord Lucas said the Government would then have the benefit of the advice of the board of the London Metal Exchange and its committee

In a written question in the House of Commons, Mr Alex Fletcher, the former Tory Minister for Consumer and Corporate Affairs, also called on the Government to make urgent inquiries into the affair.

He emphasised the implications for the financal sector generally and the tin industry in particular.

Mr Paul Channon, the Trade Minister, replied that the Government was naturally concerned to obtain the fullest possible information which would assist in its aim of securing an orderly return to trading in tin.

Cheap energy plan for large companies

BY MAX WILKINSON, RESOURCES EDITOR

THE CENTRAL Electricity Generating Board (CEGB) is proposing a controversial new scheme for providing cheap electricity to large industrial users.

The idea follows widespread objections to proposals earlier this year for the CEGB to take a tranche of cheap coal from the National Coal Board (NCB) to provide low-cost electricity to some 25 leading industrial companies. The cheap coal, at £32 per tonne, would have been some 27 per cent less than the main tranche of coal now being supplied to the CEGB.

The scheme was intended to meet claims that intensive energy users in the UK have to pay higher costs than overseas competitors. It ran into strong objections from the Treasury and from advisers to Mrs Margaret Thatcher, Prime Minister. They said that the NCB was doing its sums upside down. Marginal extra production by the board would be from its most expensive pits, not from the cheapest ones, it was said; so the scheme essentially depended upon taxpayers' subsidies.

Industrial lobbies also objected that electricity industry was forbidden by statute to make "undue discrimination" between its customers, and it was also said the European Commission might object to a concealed subsidy.

In an attempt to get round these objections, the CEGB and the board have now suggested that the cheap coal should be sold directly to larger industrial companies who would then subcontract the CEGB to turn it into electricity.

This scheme known as "toll processing", has never before been tried in Britain. It is now being discussed intensively in Whitehall, and would need approval by the Electricity Council.

Some of the council's area boards are likely to object that if cheap coal is available, the benefits should be shared equally among their customers and not confined to an arbitrary list of larger companies. This list includes ICI, British Oxygen, British Steel, several oil companies and Blue Circle, the cement manufacturer.

Some ministers are likely to fight the proposal as providing yet another concealed subsidy to the coal board. Lord Marshall, chairman of the CEGB, has been enthusiastic about a measure which he believes could help restore the competitiveness of parts of British industry at no extra cost to the electricity industry.

Apricot to make 120 staff redundant

By Jason Crisp and Arthur Smith

APRICOT Computers, the British manufacturer of business personal computers, is making 120 employees redundant and closing its distribution subsidiary in West Germany.

City of London analysts expect Apricot, previously called Applied Computer Techniques, to announce today a pre-tax loss of about £3m for the first half of the financial year after stock write-downs.

The redundancies are the first in Apricot's UK microcomputer business, which until this year had been growing very rapidly. The job losses represent just over 10 per cent of the workforce and follow a reduction in the growth of the market and a fall in Apricot's share.

The company is the second-largest vendor of business personal computers in the UK after IBM. It has about 20 per cent of the UK market but is facing increasing pressure from IBM and Olivetti, Apple and Compaq. Apricot mainly sells to small businesses and has had limited success with large corporate accounts.

Most of the redundancies will be in the UK and are mainly administrative staff. Twenty staff are to go at Munich with the closure of Apricot's West German distribution company.

This is the second set of redundancies in West Germany after the closure of Beaugrand, a distribution company in Frankfurt which Apricot bought. Apricot said it was cutting its West German operation because it would not be profitable soon enough.

Apricot said thet the West German market had slowed since the summer and the company was finding it difficult to get its computers on to dealers' shelves because of a strong loyalty to existing brands. The company has appointed Entcom Electronics as its sole West German distributor.

In September Apricot warned the London Stock Exchange that pre-tax profits would be considerably less than the previous year's record £3.8m. It said it was making significant write-downs on stocks of its portable computer, estimated to be £5m.

Apricot's chares closed at 62p yesterday compared with the high for the year of 280p.

UK NEWS

Britain expected to join ocean drilling project

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN IS shortly to join a new international research programme on deep-ocean drilling, led by the US, the Natural Environment Research Council said yesterday.

The US is meeting balf the cost of the programme, which will explore the drilling of waters up to 27,000 ft deep.

Britain is sharing the other half of the cost with Canada, France, West Germany and Japan, at an annual cost of about £2m. Mr Hugh Fish, council chairman, said final approval rested with the Treasury but he said be would be disappointed if acceptance had not been given by the end of this year.

The programme is expected to give Britain first-band experience of the techniques of deep-water drilling and the opportunity to gain early information on new subsea mineral and energy reserves.

It plans to use a new drilling vessel half-owned by Britisb Petroleum, called the Joides Resolution, with research facilities which, the council claims, are "unmatched on land or sea."

The 770-ft vessel bas a derrick that towers 200ft above the waterline, and can suspend 30,000ft – nearly six miles – of drill pipe to obtain ocean-bed core samples.

Mr Fish, presenting the council's annual report at a news conference in London, said the cuts in government funding had "brought it home to us in no uncertain terms that we have to sell our research."

The council was learning the art of creating saleable packages of research to offer to government departments, which it saw as its best prospect for research commissions. The past year had generated "a little more work than we expected," he said.

The council has arrested the decline in income from research contracts, which rose last year by £1.2m, to £24.9m. An important contribution came from its Gloria long-range side-scan sonar, which the US Government has commissioned to survey about 5m square miles of its territorial waters.

As part of its research marketing activity, the council has found agents in Washington and Brussels, and is negotiating another in Manila to serve its interests in south-east Asia.

One of the council's fleet of four ocean-going research vessels, the Challenger, 15 years old, is to be refitted and equipped with new engines, at a cost of about £2.5m. There is no decision yet on the replacement of the Discovery, now about 30 years old.

Its latest vessel, the Darwin, which entered service last year, still needs more equipment to exploit its full potential.

Policy changes urged to 'save Midlands industry'

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE WEST Midlands is in serious trouble and has no prospects of recovery under existing government policies, Mr Roy Grantham, general secretary of the Association of Professional Executive Clerical and Computer staff, said in Birmingham yesterday.

He called for immediate and positive government action to stimulate the engineering industry and to "prevent its total demise."

Research by his union showed that the engineering industry was continuing to experience serious difficulties because of low and inadequate investment, research and training.

He said: "Despite the lowest average earnings and the lowest level of manufacturing costs in the country, the level of redundancy in the West Midlands engineering industry continues."

Mr Grantham added: "No longer can Conservative members of parliament and the Government wring their hands and say that they have no control over these matters. The policies must be changed."

Plans for state asset sales criticised

By Robin Pauley

THE GOVERNMENT'S proposals for the privatisation of British Airways, the British Airports Authority and British Gas were sharply criticised last night by Mr John Kay, director of the Institute of Fiscal Studies.

In a speech to the Chartered Association of Certified Accountants in London Mr Kay said that effective competition was more important than simply moving an organisation from the public to the private sector.

"If there is competition, the inefficient operators do worse than efficient ones. Private ownership without competition creates no effective market pressure. Public ownership with competition creates some, but less than private ownership with competition.

"In other words, it is the interaction of competition and private ownership that counts. If we have to choose one or the other, then it is competition that is decidedly to be preferred."

This lesson was exemplified by airlines. "British Caledonian are better than British Airways, but they are the survivor from the variety of firms which have attempted at various times to break into international aviation.

The point about British Airways is not that they are inefficient because they are in the public sector, it is rather that a private-sector airline would not have continued to be as inefficient as British Airways has been."

Two sectors where the public sector did better than the private under competition were the electricity supply industry in the US and the insurance industry in West Germany.

Both industries are subject to price regulation which produced incentives for measures counterproductive to the most efficient management.

It was important to remember that monopolies were worth more than competitive industries. A Treasury concerned to maximise the revenne obtained from the sale of public assets could not be expected to support measures of liberalisation.

David Thomas on the difficulties of extending union legislation to Northern Ireland

Review of Ulster labour law faces snags

THE GOVERNMENT is considering bringing the law on trade unions in Northern Ireland into line with that in the rest of the UK.

This apparently simple ambition raises complex problems with ramifications that could spread south of the border.

The Northern Ireland committee of the Irish Congress of Trade Unions, the equivalent of the Trades Union Congress (TUC) in Northern Ireland, has warned the Government that the legislation cannot be enforced without raising political and constitutional divisions which the trade unions have striven hard to avoid, especially since 1969.

The committee says its efforts in this regard have received all-party support at Westminster.

The Government is considering action in three main areas.

● 1982 Employment Act. This narrowed the definition of a trade dispute, left unions open to injunctions or damages where they were responsible for unlawful industrial action and introduced ballots on closed shops (employment of union-members only).

So far, the act has not covered Northern Ireland but the Government seems about to introduce it there.

● 1984 Trade Union Act. Mr Tom King, Northern Ireland Secretary, is also consulting on whether to extend this to Northern Ireland. He steered the act through parliament as Employment Secretary. The act prescribes ballots before strikes and for the election of union executives.

● Trade union recognition. The Labour Relations Agency, Ulster's equivalent to the conciliation service Acas, still retains functions on union recognition which were stripped from Acas in 1980. The Northern Ireland Office has also asked for views on whether these should be abolished.

Employers in Northern Ireland want labour laws in the province brought into line. "It would be less confusing for an employer who has a plant here and in England," says Mr Alasdair MacLaughlin, CBI director in Northern Ireland.

The unions are opposed. They have accused the Government of wanting to introduce legislation designed for mainland Britain without any reference to its effect on industrial relations in Northern Ireland.

Two distinctive issues colour the debate in Northern Ireland. The first concerns the 1982 and 1984 acts and only affects Ulster. The second concerns union recognition and could hold lessons for the rest of the UK.

● Unions in Ulster do not always reflect the division between north and south. Some have head offices in London; others in Dublin; while a third group is distinctive to Ulster.

There are, for instance, two Transport and General Workers' Unions – one Dublin-based, the other London-based.

This poses a problem for the part of the 1982 Act which opens up unions to injunctions, damages and sequestration of assets; and for the parts of the 1984 Act which prescribe individual secret ballots for the election of union executives and before strikes.

The problem is how the Government would ensure that Dublin-based unions obey the law? How could, for instance, British courts enforce tha sequestration of assets of unions based in the Irish Republic?

Both TGWU's organise in the Belfast docks. In a dispute involving both, like the blacking of a haulage company, the British TGWU could be more vulnerable to the law than the Irish TGWU.

The Northern Ireland unions have told the Government that this would be viewed as a political distinction between British and Irish unions in which British legislation would be seen to be less harshly applied to Irish unions.

This again gives rise to potentially divisive issues which stem from politics rather than trade union or industrial relations considerations.

Mr MacLaughlin admits this issue is far from straight forward. But he accuses the unions of putting up a smokescreen, because only around 10 per cent of union members in Ulster are in Dublin-based unions.

● The union recognition powers of the Labour Relations Agency are more subtle than the equivalent ones which caused Acas (the conciliation service) so much trouble in the 1970s.

They might therefore be a model for a future government which wished to reintroduce statutory union recognition provisions into the rest of the UK.

The agency has much greater discretion than had Acas about which cases to take up and how to pursue them.

Its provisions also appear to be more even-handed. Only a union could refer a recognition dispute to Acas. In Northern Ireland, employers can do so too. About a fifth of investigations by the agency have been at the request of employers.

Some 44 per cent of cases during the first seven years of operating the procedure led to unions not being recognised.

Even so, the provisions are probably of considerable value to unions.

Earlier this year, for example, the white-collar union ASTMS obtained a written statement from Du Pont, the US chemicals company, detailing Du Pont's commitment to negotiate with ASTMS at its Londonderry factory. This resulted from the union complaining to the Labour Relations Agency that the company was not bargaining in good faith.

Mr Roger Lyons, national chemicals officer for ASTMS, says this illustrates the advantages of continuing trade union recognition machinery, though the company says it was simply restating existing procedures.

Opinion among some employers appears to have swung against these provisions when ASTMS this year won large large pay increases at a small company through Northern Ireland's Industrial Court, the final stage of the machinery which has been reached on only two occasions.

The Government may bow to the employers' wishes and abolish the agency's recognition powers. But they are unlikely to be forgotten, if only as a possible model for future legislation in the whole of the UK.

Brittany Ferries to enlarge Truckline freight subsidiary

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITTANY FERRIES, the French cross-Channel ferry company, is to spend £3.5m on expanding the services of Truckline, the French freight company it bought this year for around £5m.

There will be a new limited passenger service on a freight ferry, the Cornouailles, on the route from Cherbourg to Poole, Dorset. It will offer meals to the standards of the restaurants popular with French long-distance lorry drivers.

Two Truckline freighters, the Coutances and Purbeck, are also being enlarged at a French yard. The work is due to be completed in May. A new terminal and office building will be provided at Poole, where the port has also approved a plan to dredge a second channel to enable it to take the larger vessels.

Brittany Ferries, which lifted its passenger carryings by 20 per cent to more than 800,000 in its financial year to September 30, 1985, is expected early next year to announce a plan to build a new passenger and car ferry at a cost of more than £30m.

The company declined yesterday to give details of the type and size of ship it was intending to order, or of where it would be built. Mr Christian Michielini, managing director of Brittany Ferries, said the new vessel would be a "compact jumbo." Last week, European Ferries said it would build two £35m jumbo ferries for Dover-Calais, twice the size of present cross-Channel ships and able to take 700 cars and 2,400 people.

Also included in Brittany Ferries' Truckline plans for next year is a new freight service between Portsmouth and Caen in France. It will begin in April. Fares on the June-September passenger service on the Cornouailles will start at £64 return for a car and £32 for accompanying passengers.

● Sea Containers, one of four groups bidding to construct a privately financed fixed link across the Channel, is to use Crédit du Nord, the French bank, to lead-manage the raising of up to 50 per cent of the development loans which will be required.

Sea Containers, the Bermuda-based shipping group, has been criticised for having no French partner for its plans. It had proposed to build a twin-bore motorway tunnel with a rail track embedded in one of two lanes of motorway travelling in each direction.

Another version of this plan, involving separate motorway and rail tunnels, has also been proposed by Sea Containers.

Action urged to resolve Hong Kong citizenship

BY ALAIN CASS

BRITAIN should take the lead in resolving the citizenship position of Hong Kong residents who are uncertain about their future status, according to a report published yesterday.

The report, entitled A Question of Belonging, was produced by the UK Joint Council for the Welfare of Immigrants after extensive research in the territory.

It claims that many Hong Kong residents "distrust the process by which their future was decided" and are looking for a firm base upon which to "assert and protect the interests of the colony after 1997" – the date when it reverts to Chinese control.

The report claims that the inevitable insecurity and uncertainty surrounding the return of Hong Kong to China has been compounded by what it calls "Britain's complicated and discriminatory nationality laws."

It draws particular attention to the position of the non-Chinese minority groups in Hong Kong whose British nationality leaves them, the report claims, "effectively stateless."

The report recommends:

● An avenue to British citizenship for the few British nationals who also have Chinese nationality but who fear they might be at risk in the new Hong Kong. At present, only civil servants may apply for full British citizenship under those terms.

● The granting of full British citizenship, with the right of abode in the UK, to the few thousand non-Chinese British nationals in Hong Kong.

● Helping to resolve the citizenship status of the 2m non-British nationals whose homes are in Hong Kong.

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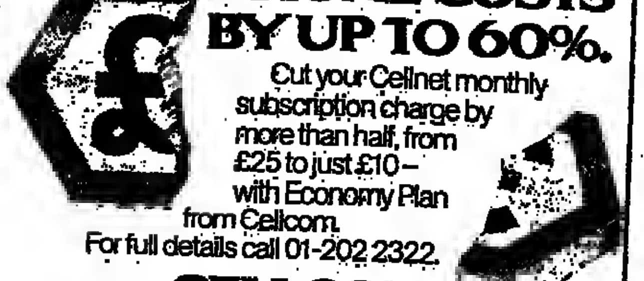

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North country refurbisher of specialist machinery, with working directors planning retirement over a two- to three-year period, expects £180,000 pre-tax profit in year to December on turnover of c. £850,000. The business is valued at £850,000, including freehold of three acres, and our principals are willing to enter into service agreements for up to three years. Not a logical candidate for relocation. The next generation of management and a specialist workforce are in place, with a large stock. (CW/3891)

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Leasing and Finance.
A rapidly growing company is about to increase its UK small-ticket equipment finance business through acquisition of provincial companies with on-going management. A successful track record and ability to deploy larger funding into their established market are essential. Continued minority equity participation by key personnel could be accommodated. (CW/4170)

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CRAIG GARDNER

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

No entry to a fast lane

William Dawkins re-visits a car specialist who keeps old Morris Minors on the road

Charles Ware: "trying to design a car by stealth"

IF THERE is one thing that 50-year-old Charles Ware has learned in the past two years, it is that renovating Morris Minor cars is no way to make a quick buck, though it might be a way to make a slow one.

Since Ware's Morris Minor Centre in Bath last appeared on this page on December 20 1983, its turnover and profits—then £1.5m and £110,000 pre-tax respectively — have just about kept pace with inflation. His business was founded almost 10 years ago on the principle that so long as Morris Minors are well maintained, their lives can be extended indefinitely at relatively low cost.

The loyal and loving owners of the 120,000 or so Morris Minor saloons and Traveller estates still chugging about on Britain's roads seemed to represent a solid and long-lasting market for servicing and parts distribution. Their cars embody an important and profitable engineering idea: they are so strongly built that parts can be repeatedly replaced and repaired without distorting the overall structure.

Ware contrasts Morris Minors with most modern cars, which carry what he calls "built-in obsolescence." If one electrical component of a modern car packs up, for instance, it may be necessary to replace the whole—or at least a large part—of the electrical system. A durable Morris Minor, on the other hand, may only require the cheap replacement of one small part.

Nothing has changed any of that. The ideas on which this former bankrupt builder and property developer has based his business are as sound as ever. What has changed is that Ware has taken much longer than he expected to steer the Morris Minor Centre into its next stage of development. Like many hundreds of small businessmen, he has discovered that the second step can be steeper than the first.

"The standard Morris Minor will be unusable as a modern car in five or six years' time," he points out. By that he means that the technological gap between Morris Minors and modern cars is widening, with increasing speed. It was for that reason that Ware began work two years ago to turn the Morris Minor and Traveller into cars that could compete in comfort, safety and performance against less durable modern small cars like BL's Metro or Ford's Fiesta.

The original plan was to unveil at the October 1984 Birmingham Motor Show updated versions of the Minor and Traveller, with 1.3 litre engines, modern seats and heating, disc brakes, sound proofing, improved suspension and optional automatic gear changing for around £8,000.

Ware has produced test models to glowing reviews from the motoring press but does not expect to start marketing his modern Morrises until next spring. "Once you start getting involved in upgrading a car by 25 years, you find that a lot of small components have to be renewed. A lot more components needed changing than we realised," says Ware.

Ware never appeared at the motor show, since he felt that the £30,000 it would have cost the centre to attend would have been better spent on research and development. Work on the new models has pushed up research and development spending from 5 per cent of operating profits in 1983 to a hefty 40 per cent now.

That was partly because the project produced unexpected results. Originally, Ware was planning to produce a modernised car in kit or assembled form to satisfy hard-bitten Morris Minor fans, rather than a wider market. But the suspension system he came up with was rather better than he expected.

"That put us into a new market," he says. "Instead of looking at the old faithful market, we were in touch with normal road users. That meant we had to go on to look at every mechanical and electrical component in the car."

Ware has sold just one fully assembled modernised Traveller since the project began, but claims to have 2,000 "serious enquiries" for update packages.

"It is essential for the business to adapt the Morris to modern needs. What we are trying to do is allow people to go on running a car without having to change it," says Ware. But as any small businessman knows, it is extremely rare for a research and development project to be completed on time. It is doubly rare when the project coincides with a switch from parts distribution and servicing into car assembly.

Ware has attempted to side-step that problem by marketing the kits as packages which can be bought in stages as they are developed and bolted piece by piece on to old Morris Minors. "To design a new car from scratch, you need £800m. We are trying to design a car by stealth. We are producing something that can be bought as we are developing it, so that we can recoup our R and D as we go along," he explains.

The updated cars obviously need new components, mainly adapted from Metros, Itals and Marinas. That does not mean that the distribution of discontinued parts for the older unmodernised Morris models will become any less important, says Ware. "The new models will be making a tiny inroad into the Morris Minor market," he explains.

The process of bringing out new models has also been slowed down by Ware's belief that businesses—like Morris Minors—should develop from within. He has accordingly steered clear of raising venture capital to fund research and development. This, he admits, is partly a hangover from his stormy earlier business career renovating early 19th century houses in Bath during the 1960s.

The property boom of the time soon turned Ware into a millionaire, but the subsequent slump left him bankrupt in 1975, owing £500,000.

Conscious of the fact that demand for Morris Minors is almost as dependent on fashion as durability, Ware formed a joint venture last summer with A&D Engineering, a small, Wells-based design engineer, with a view to extending his servicing and up-dating activities to other so-called durables like the Triumph Herald, Vitesse and Sprite.

But it will be several years before those cars hit the road in their revitalised form, and it remains to be seen whether they will conjure the same cult appeal as the Morris Minor.

The point is, says Ware, that rather than chasing profits now, "we are attempting to establish a base for the business for the next 20 years." The joint venture will also bring Ware a little closer to realising his ultimate dream of producing (by stealth) his own design of car to replace the present generation of ageing durables. But how long will that be? Says Ware: "Give me five years."

In brief...

BARCLAYS Bank yesterday launched a simplified fixed rate loan scheme for small businesses.

The Barclays Businessloan is available for sums of between £2,000 and £15,000 to be repaid in fixed monthly instalments over one to five years. The rate of interest will be set at 16 per cent, with no penalty for early repayments. It is designed to enable businesses to know their exact monthly debt servicing commitments from the outset.

A negotiation fee of 1 per cent of the amount of the loan, with a minimum charge of £50, will be built into monthly repayments. No fees are paid for pocket loans other than out of pocket expenses. Insurance is available to cover sickness, death or accidental injury.

●

VENTURE Capital Report, the Bristol-based directory of venture capital investment opportunities, has entered a joint venture to start publishing in Canada.

The report's Vancouver issue is expected to be launched in January and will be published as Select Venture Capital by Richard Brewer, a Canadian management consultant. VCR will receive a percentage of profits and both publications will republish each other's articles. Select Venture Capital will cover the entire North American risk investment industry.

VCR is planning a similar joint venture with an Australian publisher, which is expected to start publishing in New South Wales within the next four months.

●

THE London branch of the Austrian commercial bank, Creditanstalt-Bankverein, has teamed up with 11 other City organisations to assist in the creation of jobs in Tower Hamlets.

They have formed a company limited by guarantee, City Sponsors Group—Tower Hamlets, which will work with the local enterprise agency and borough council to encourage business training and education. The group will provide executives on loan, cash sponsorship and free advice for small businesses and job creation agencies in the area. "The challenge for the City is to use some of its strengths in raising money and applying its skills in banking, marketing, accountancy and law to assist in the expansion and development of new businesses in this area," says Nigel Hodson, general manager of Creditanstalt-Bankverein's UK operation.

●

FINANCE FOR non-financial people is the subject of a do-it-yourself course designed for businessmen who do not have the time to leave their offices for outside training seminars.

The main part of the course consists of a software package which will work on all IBM compatibles. It has been devised by Film Training Aids (UK) in association with the business publisher McGraw Hill.

The program, which it is claimed is operable by people unfamiliar with computers—takes the user in steps through the basics of understanding and constructing profit and loss accounts, balance sheets and cash flow analyses.

Included in the package is a video introducing the course subjects and three sets of workbooks, allowing three people to train simultaneously. The package costs £495 plus £3.50 post and packaging and is available from Vincent Finnegan, Film Training Aids (UK), 2 High Street, Taplow, SL6 0EX. Telephone 06286 67290.

●

DATA PROTECTION—Registration and Compliance is the title of a seminar to be held on December 4 by Legal Studies and Services.

Subjects include the scope of the Data Protection Act, the practical responsibilities of data users and how to register under the terms of the act.

Tickets cost £178.25 including VAT and the conference will be held at Park Lane Hotel, London W1. Details from Legal Studies and Services, BBC House, Canada Road, Byfleet, Weybridge, Surrey KT14 7JL. Telephone 09323 55244.

●

VENTURE Capital and the Growing Business, the latest booklet from accountants Peat Marwick, is designed to help companies prepare themselves before approaching venture capital funds.

It guides the reader through the steps to investment, including an anlysis of the types of funds available, how to negotiate the financial package and prepare and present the business plan.

The book costs £3 and is available from Peat Marwick at 1 Puddle Dock, Blackfriars, London EC4V 3PD. Telephone 01-236 8000.

Enterprise agencies

Unheard voices

BY WILLIAM DAWKINS

ENTERPRISE agencies and small business support groups can only make an impact on unemployment if they are successful in getting their message across to the people who need them most. Nowhere illustrates the seriousness of that challenge more vividly than Northern Ireland, where a network of small business agencies more comprehensive than exist almost anywhere in Europe, has been struggling with limited success for years to make a dent in an unemployment rate of around 25 per cent.

The extent to which such agencies could communicate better with the small business community — especially with young entrepreneurs—was highlighted at last week's National Small Firms Policy and Research Conference which was sponsored by the Northern Ireland Small Business Institute in conjunction with the province's Local Economic Development Unit (Ledu).

There are at least 14 sources of small business grants and advice in Northern Ireland, servicing almost 53,000 jobless people, according to research for accountants Price Waterhouse by Mat McCormick, an independent consultant on behalf of the Small Business Research Trust. And there is no shortage of entrepreneurial initiative among the unemployed, as indicated by his survey of 117 young jobless people of whom half had or were considering setting up a business.

Yet "the transition from business idea . . . to start up is inhibited by lack of awareness of what is on offer," McCormick told the conference. "The plethora of agencies and providers with direct and peripheral interests in assisting young business enterprise is confusing and in need of rationalisation. . . . Furthermore, those agencies which cater specifically for the young are poorly resourced and underfunded."

Well over half of the sample could remember Ledu's name but 36 per cent could name no small business assistance bodies in the province. McCormick blamed this lack of awareness on the "fragmented" and poorly co-ordinated way in which agencies promote themselves.

There was a higher awareness of schemes which were specifically targeted at one sector rather than those trying to spread themselves too thinly. One example is the Livewire Project run by Shell Oil UK, which helps people aged between 16 and 25 to develop business plans.

Public sector agencies in particular had difficulties in communicating with small businesses. Another study by James McEldowney of the Department of the Environment in Belfast, showed that almost a third of a sample of 257 small manufacturers in the city did not know what help was available from the public sector. A similar survey of manufacturers in Glasgow showed that 37 per cent did not know where to go for public assistance.

Businesses in both cities complained of lack of understanding on the part of the public sector of the needs or practical difficulties involved in running small enterprises. "It is obvious that having to decide who gets what will create conflict and criticism," said McEldowney.

Unrealistic

Co-ordination of small business assistance is poor throughout the European community, argued the Planning Exchange, a Glasgow-based research group. Moreover it was unrealistic to expect that public sector agencies help for small businesses would solve unemployment. Such initiatives were "providing mainly a supportive social function rather than making an employment contribution," said the Exchange.

That point was reinforced by a study by David Hitchens of Queen's University, Belfast, and Patrick O'Farrell of the University of Wales Institute of Science and Technology, which showed that despite generous public backing a sample of small businesses in the province proved less efficient than their counterparts in south east England.

The Irish companies' machinery and plant was generally more up-to-date, according to the study, but they lagged behind their English counterparts on pricing, quality and design. "Their poor performance could not be traced to a lack of pubic assistance. Their machinery was found to be modern and their premises cheap."

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Two. Which do you think will grow fastest in the next fifty?

You're bound to consider the internal combustion engine, the aeroplane, atomic energy and the microchip, of course.

But how about telecommunications?

You have to admit there's a case to be made for them, and it's timely to make it now.

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1866, the Entrepreneur.

The founder of Cable and Wireless was a vigorous and determined entrepreneur called John Pender.

In 1866 he was largely responsible for laying the first transatlantic, submarine cable.

With the dots and dashes of the Morse Code, it meant the United Kingdom was only minutes away from the eastern seaboard of the United States (Stock Exchange and Wall Street closing prices were transmitted daily).

By the end of the century he had created a submarine cable empire that virtually covered the world and stretched for 50,000 miles.

Unending success beckoned? Not exactly.

1920's, the Italian.

A young Italian scientist called Marconi had earlier patented his radio device and now offered a transatlantic telegraph service (the one which brought Crippen to trial). It was three times faster than cable at about one twentieth of the cost.

Marconi made the British government an offer they couldn't refuse: that his telegraph service and our cable assets be merged.

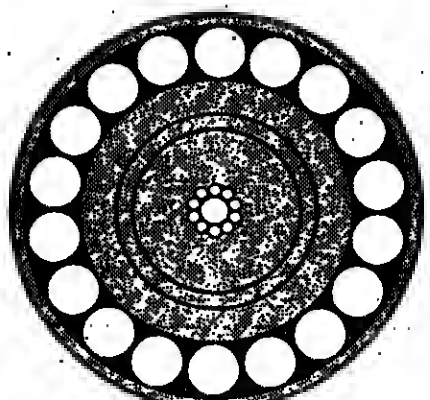
It was a happy marriage which, helped by new technology, prospered even during the depressed thirties.

1950's, the voice.

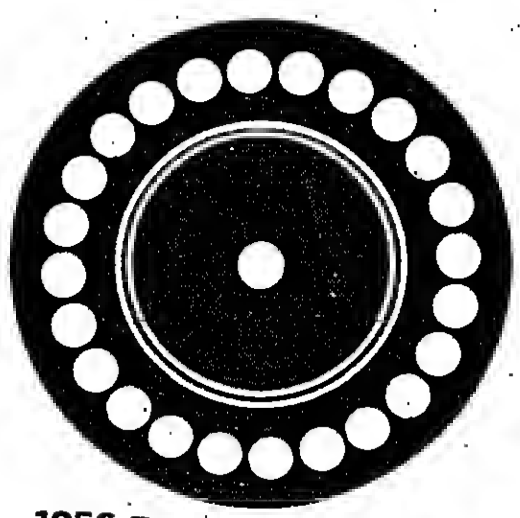
Then in the mid 1950's the first coaxial cable was laid across the Atlantic, carrying distant voices. (Although you still had to queue-up to make a call.)

But the pace of innovation was quickening.

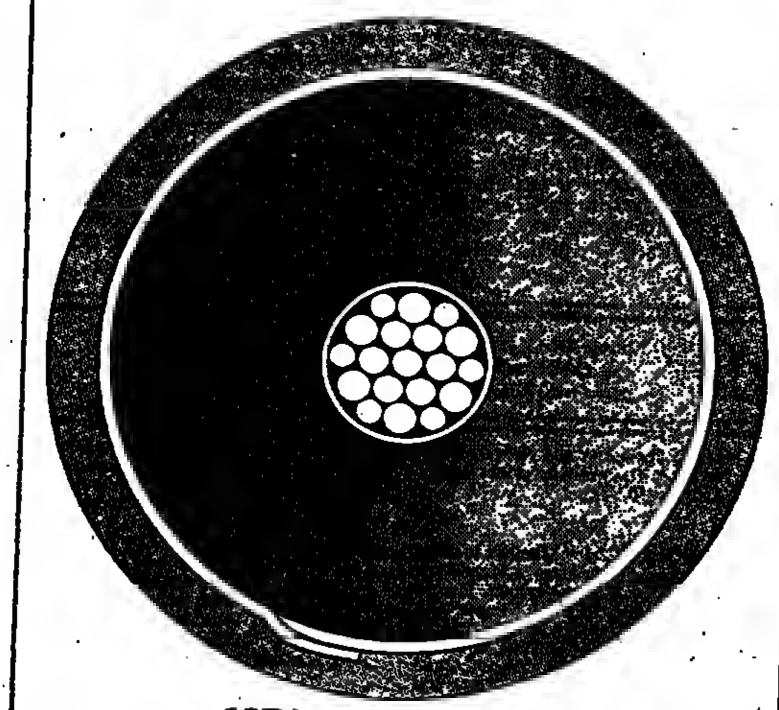
Rockets placed satellites in space, to and from which we bounce messages on 44,000 mile journeys between our earth stations round the world.



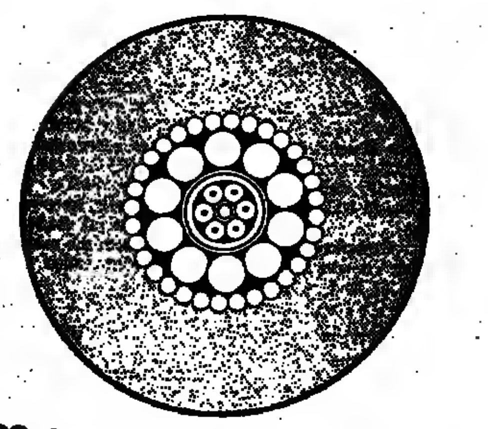
1866. First successful transatlantic cable. Roughly six months to transmit the Bible by Morse Code.



1956. First coaxial cable across the Atlantic. Thirty-six circuits bring phone calls as we know them today.



1974. Over 1,800 circuits – queuing eliminated.



1989. Cable and Wireless' fibre-optic cable to America. 12,000 circuits able to transmit the Encyclopaedia Britannica in a few zips of light.

Next came larger coaxials, then the miraculous fibre-optic cable carrying voice and data at the speed of light (the entire Encyclopaedia Britannica in a flash).

Now, computers and microwaves all play their part, but our real growth has accelerated in the past 4 years.

1981, the new freedom.

In 1981 the government privatised us in its belief that companies flourish when managers are free to act in an entrepreneurial spirit (shades of John Pender).

We are proud to say we have repaid its trust.

At the time of going to press, our annual pre-tax profits have grown fourfold.

Mid-1980's, the explosion.

There's nothing new in people's urge to communicate, of course.

But as international business has grown, this urge has now assumed unprecedented proportions.

Just about every country in the world is expanding and updating its telecommunications. And new technology is constantly needed to make systems faster, cheaper and more effective over greater distances.

Currently in fact, we're improving and maintaining systems in some thirty-six countries.

In Hong Kong we operate both its internal and external telecommunications systems.

Earlier this year, we agreed with China to study together the feasibility of establishing up-to-date telecommunications between the main cities of the Yangtze Delta.

Meanwhile, in America we've laid fibre-optic cable along the rail-road from Dallas to Houston and we are operating circuits from New York to Washington and soon, Chicago.

In Barbados we are co-operating with the government to bring the latest digital communications to the island and help its main industry, tourism.

In Bahrain, we have a 40% stake in one of the most advanced telecommunications services in the Middle East and we manage the entire system.

While last year, our ships laid a submarine cable linking Australia and New Zealand with Canada via Fiji and Hawaii – eight thousand miles in all.

We hope we have shown how Cable and Wireless has grown bigger as the world, in communication terms, has grown smaller.

Cable and Wireless.

THE ARTS

London Galleries/William Packer

Kitaj: good, bad and remarkable

An exhibition of new work by R. B. Kitaj is always an event and that which occupies the Marlborough Gallery (until Christmas) is one to savour, perhaps, even more than usual, even if the work is not entirely above criticism. Mr Kitaj, no less than many artists better and worse than himself, is not necessarily the best judge of what in particular of his should be shown, or else has been persuaded against his interest here and there. Though this is the declaration of some five years' work, and a gentle retrospective glance besides across a further 20 years or more, the gallery is very full; and while we may understand the anxious urge of an artist who works comparatively slowly and thoughtfully to show the lot, warts and all, it does not follow that every wart lies to his credit. The mass of drawings is uneven in its quality and uncertain and inconsistent in attitude and preoccupation, more impressive the more closely it relates to the painted work, less so the more it stands as drawing *qua* drawing.

For if Mr Kitaj is a natural painter in many ways, with a particular and distinctive feel for his material, the most delicate touch and an innate gift for imagery and picture-making, his drawing is far from natural. His commitment to fine draughtsmanship in principle is manifest, his study of the masters deep, his practice long and honest; and yet where with a brush his line is active, quirky and free, the surface of the painting open and adventurous, with charcoal and paper all dries up: the surface is smart and self-conscious, the line fussed and earnest, the image all content and no form.

This is a strange contradiction and yet it was ever characteristic of his work: indeed it may even offer us a clue to the nature of the creative tension in the work and to his own creative drive. For with the paintings, the larger and more ambitious compositional machines especially, so preoccupied has he always seemed to be with their imagery in all its reconditeness and sophisticated ambiguity—taken from literature and art, philosophy, politics and the social history of recent times—that whether by intuition or default the hand has been allowed rather more scope to shift for itself. With such things as life drawing, however, there can be no such deflection, for image and statement, problem and solution, fuse directly together.

Mr Kitaj may sometimes have irritated us, Jack Horner-like, for 25 years with his earnest cleverness and apparent anxiety to prove himself so; and it is the nicest irony that that very trait should turn out to be the device of his technical development and liberation. It is to the great credit of this show, overfull as it may be, that it should give us for once the artist whole—the drawings, the studies of friends and the life figure, the paintings and studies for paintings, good and bad and quite remarkable.

He has always been something of an expressionist, although 20 years ago the superficial gloss of Pop-art and the more general appropriation of expressionism to abstraction rather obscured the fact. Our present longer view shows us just how close he then was to George Grosz in particular, in the manner of his urban and social allegories. What is evident in this latest work is a more open and direct handling of the surface, and a more active statement of the image, that suggest more general influence and example—as it were the rich simplicities of Max Beckmann seen through the distorting filter of Francis Bacon's vision. In the shifts of scale and pictorial space, however, and a certain lyricism to the composition, there is even something of Chagall. The dogged, wry humour that often informs the subject matter is quite new, and quite his own.

Mr Kitaj is an American Jew openly preoccupied with the recent history of his race and, in the actual practice of his work, with aspects of the German Expressionism that we now recognise as one of the prime springs of modernism. He has made this his adopted country and the scene of his entire career. In a time when a rampant figurative expressionism is so much the latest thing, it is salutary to see work of such seriousness and strength the product not of fashionable impulse at all, but of normal career.

*

Marie-Louise von Motesiczky, whose equally impressive retrospective fills the Goethe Institute in Prince's Gate (until December 14), last showed her work in London in 1960 when Mr Kitaj was still a student at the Royal College of Art down the road. She too is expatriate, but more by circumstance than choice, and no latter-day expressionist but the real contemporary article. She was born in Vienna in 1906, where she studied for a while before moving on variously to the Hague, to Frankfurt and Paris. In 1927 she returned to the Städel School in Frankfurt to study under Max Beckmann at his own invitation, and Beckmann has remained clearly the formative and dominant influence in her life's work. She returned to Austria after a year where she remained until 1938 when she escaped to Holland. She came to England in 1939 and has lived here ever since.

Miss Motesiczky's creative debt to Beckmann, great as it is, does not entail any slavish devotion or self-abnegation in the work. The handling is softer, the drawing less emphatic, more allusive, the touch lighter, the colour more muted and restrained. The subject matter too is significantly different in its mood and emphasis, more gentle, intimate and accommodating where it is directly personal, as in the portraits of herself and of her mother; altogether more gentle and poetical in its symbol and allegory, less fraught with dire foreboding in the larger compositions. In all these respects it is fair to point the intelligent response to wider and older influences in expressionism, to Lovis Corinth, Kokoschka and, again, Chagall.

Her especial strength is in her study over an extended career of the human head and portrait figure. The series of portraits of her mother that charts the inexorable onset of old age is possessed of an unaffected poignancy that is deeply moving, an objective and humane observation of the human condition unforced by any false emphasis or special pleading. We call to mind the Rembrandts she has known since her youth in Holland before any more recent example or comparison. Her *self* portraits are as remarkable, works of true authority and real beauty though often so small or half-finished. Like those self scrutinies of her mentor, Beckmann, they gain her access to an exclusive club.

*

Finally, bare mention and enthusiastic recommendation of two shows that have little time to run but should not be missed. Trica Gillman at Benjamin Rhodes in New Burlington Place (off Savile Row: until December 6) is a young romantic expressionist whose work has always teased itself up to the brink of abstraction, but who now seems to be moving back, in these latest paintings, towards a more direct, if somewhat decoratively extenuated, reference. Here now are idealised, simplified landscapes, architecture and still life, as beguiling in colour and surface as in suggestion, the flowers in the window, the view through the colonnade to the rich landscape beyond.

Nicola Hicks, at Angela Flowers in Tottenham Mews (until November 30), is an unrepentant *animalier* and one of the most gleefully inventive of our younger sculptors. Her bestiary, in drawings and sculpture, fills the gallery: large sheets of brown paper pinned to the wall, the beasts themselves variously flexing themselves about the place and of a wonderful formal contrivance, modelled with a sometimes alarming vigour out of plaster, straw, wood and sacking.

"Self Portrait with Comb" (1926) by Marie-Louise von Motesiczky

Berio at Huddersfield

Max Loppert

The eighth Huddersfield Contemporary Music Festival ends tomorrow evening. From small, brave beginnings the venture has steadily grown in size, scope, and reputation; and by this year's festival that growth process has been splendidly well maintained. The general purpose of the festival is so admirable that one would probably be grateful for even a much less clearly conceived or vigorously administered product of it; from the evidence of a mid-festival weekend, Huddersfield's achievement is a success on almost all fronts.

The "themes" that dominate each annual prospectus, and that this year brought a wide array of little-known recent Italian music to this country, are clear and cogent. So is the variety of happenings — musical, verbal, visual, theatrical — collected to embody them. Huddersfield, that handsome, dignified city of wide vistas and enjoyable walks, is a good festival location. It provides places for people to meet, listen, talk, eat, and drink; at all the events I attended this weekend, the halls were full. In fact, everything about Huddersfield strikes an encouraging note — except, that is, the fearful cry of financial uncertainty sounded in the programme book by Richard Steinitz, the festival director. Surely his worst fears *cannot* be permitted to come true?

As I've already mentioned, recent Italian music bulked large in the schedule; and, dominating the Italians, bestriding Huddersfield like a gently genial colossus, was the figure of Luciano Berio, whose 60th birthday (last month) provided the focus for a sizeable Berio retrospective. Its most important single achievement was the performance of Coro that the composer conducted in Sunday's BBC Symphony and Singers concert (given free of charge) at the Town Hall.

Coro, for about 40 each of voices and instruments laid out in pairs, is one of the very few totally comprehensive musical masterpieces of recent times — one of those works, massive not just in length and performance requirement, that contains within it a whole world of human experience. Though the performance itself was of the highest quality, the reverberant acoustics caused some of its component parts to be less audible than others (quite often the masterly weaving together of Neruda poetry and folk-song text had to be taken somewhat on trust); yet what remained provided quite enough to follow, and suffuse the senses with the grandeur of its vision, its deep, essentially Italianate compassion in the face of contemporary human suffering. It seems to sum up the past, and at the same time to look uncloudedly into the future.

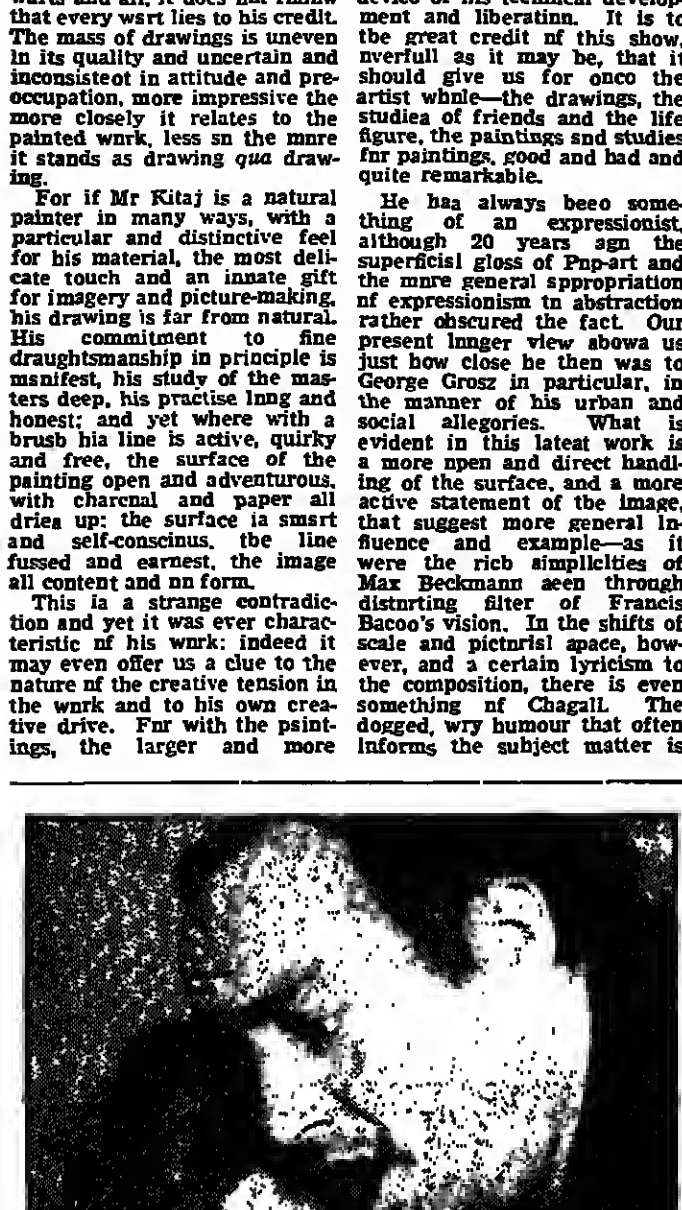
This concert, which had earlier offered the miraculously diaphanous and sparkling *points on the curve to find* for piano (the brilliant Massimiliano Damerini) and small orchestra, and Sarah Walker's consummate delivery of the *Folk Songs*, was the high point of the festival. But the Berio chamber music concert in St Paul's Hall the previous evening had proved, in its smaller way, no less rewarding. It included the British première of the trumpet Sequenza X (an exhilarating exploration of the instrument's natural dramatic assertiveness), a magnificently alarming danced version of the Visage tape, and Circles, a Berio key work of its period.

All this compiled far, far too much material for the purpose of a round-up review; but it did lead once again to the conclusion that, of all the most important figures involved in the radical redefinition of post-war music, Berio is the one with the "face."

Around him, Huddersfield had gathered an impressive representation of Italian composition, and of Italian performing virtuosos—notably the flautist Roberto Fabbriciani, the clarinettist Ciro Scarponi, and the Milanese Divertimento Ensemble. There are, as one has already gathered from the small amounts of Italian music previously filtered through hither, terrible grey areas of impacted rhetoric and avant-garde brutalism in the Italian scene, and Huddersfield did not shirk them—works by Bussotti, Scelsi, Nono, and Giuseppe Sinopoli proved, in their different ways, very hard going.

But Donatoni's *Lumen* (in memoriam Dallapiccola), a delicate confection of trills, whispers, and violated melody, and both *Berceuse* and *Duetto con eco* by the retiring, contrapuntally rigorous Aldo Clementi (also present in Huddersfield) signalled the classic Italian virtues of design in remarkable new guises. Alongside the Italians, the "thematically" featured composers this year have been Bernard Rands (whose 1983 *Canti del sole*, given by Martyn Hill and Lontano on Friday, is one of his richest and most romantic compositions), Jonathan Harvey, and Michael Finnissy.

In the Lontano concert Steven King's *Snapshots*—a Yorkshire Arts competition prizewinner—indicated a young composer to watch, an "ear" that combines trenchancy, economy, and lyrical imagination. Much too much else of value goes without mention: it's a mark of so enjoyably jampacked a weekend that one should end it feeling this way, rather than the opposite.



Alastair Muir

Neil Cunningham as Thomas De Quincey (left), with Stewart Preston in Andrew Dallmeyer's Opium Eater which opened last night at the Gate Theatre in Notting Hill, London. The play was an unheralded highlight of this year's Edinburgh Festival fringe, a compelling study of the haunted artist under pressure, drying out after bouts of laudanum consumption. Cunningham's performance, and this very interesting play, should not be missed. M.C.

Nash Ensemble/Wigmore Hall

David Murray

Mixed-bar programmes are generally at risk—but not with the Nash, who have a knack for these things. On Saturday the quintet and the sextet which were the main works had not a single player in common; and the guest tenor Robert Tear did only solo songs with piano and horn. With an unaccompanied cello piece as opener, the concert might have seemed an irrational mish-mash. Somehow the consistent, gentle sobriety of the Nash style held it all together—that, and the faithful Nash audience, which by now has an almost proprietary affection for the whole team.

Christopher van Kampen's cello opener was a recent Capriccio by Hans Werner Henze, developed from a tiny 1976 piece into one of those dramatic character - studies which are now a favourite Henze genre. Strummed chords from the original piece set the tone of a serenade, and frame lyrical excursions that go off in various directions, frisky or deflated, like frustrated inquiries. The sense of character is quite pungent, and van Kampen explored it delicately.

The Tear voice is laden with character of its own: lusty, not effortless, with touches of strangulated huskiness. With Ian Brown's impeccable accompaniments, Tear delivered Brahms with his usual intelligence (though the nocturnal tryst of "Vor dem Fenster" concluded loudly enough to wake the whole village). He also introduced four songs by Zemlinsky, skilful late-Romantic stuff with hints of the composer's elusive personality and some kitschy titivation in the piano parts. Schubert's "Auf dem Strom" is a handsome song, and it was handsomely treated here — warm, steady, firmly arched— but it misses any clear climactic point; John Pigneguy's cultivated horn obbligato produced one by accident at the end, grounding the singer's sad river-journey on a muddy bottom note.

There were reliable pleasures in Mozart's piano-and-wind quintet, K. 452, and in Schoenberg's *Verklärte Nacht*—always best in its original version for string sextet. The Nash players were neat, witty and well-tuned in Mozart, searching and subtle in Schoenberg. Musical balance was a little odd: Ian Brown played full up only in tuttis, and was self-effacingly discreet in his solos (Mozart wrote the part for himself, and I'll bet that *he* wasn't), and in *Verklärte Nacht* the violas and cellos dominated throughout against shrinking violins. It made an interesting new perspective.

Made in England/Soho Poly

Michael Coveney

Nothing in this first play by a new writer, Rodney Clark, lives up to the delightful surprise of descending the stairs in Ridinghouse Street to discover that the whole space has been painted eggshell blue. Lucy Weller's design simply but effectively reaffirms what a good venue this is; Sebastian Born's plodding production makes virtuous use of the area but squeezes the life out of Mr Clark's play by emphasising its schematism.

An English family firm which manufactures water censors is investigating the possibility of a Japanese company producing its models at a lower cost. To this end Inamura (Ric Young) from Tokyo is entertained by the brutish manager Bill (Geoffrey Hinsliffe) who is paying himself a fat salary while business declines and employees are laid off. In the middle is Wally (Ralph Nossek) the loyal engineer who has risen through the ranks and whose talent is recognised more abroad than in his own back yard.

It is not a bad idea for a bourgeois comedy but Mr Clark juggles various balls in the air before dropping the lot in a cloudy haze of narrative indecision. We gather that Japanese businessmen are soldiers of the company, are paid more than women, are often sent to London University for a couple of years and are envious of British talent. And that British small business is inefficient and at the mercy of drunken ignoramuses.

But nothing actually happens beyond social sparring scenes of average competence in English and Japanese restaurants and a convenient last-minute heart attack that leaves Wally in the hot seat still vacillating over whether or not to sell shares to the Japanese. It is difficult, anyway, to work up much excitement about the technology of water censors with the result that the "failing state of the nation" analogy is a little funny. Nor does there seem much point to watching Bill and his wife (Shirley Dixon) get dressed for dinner when the subsequent scene contains all we need to know about their attitudes and manners.

Mr Clark, I am sure, can only improve. For the moment an audience can take small consolation in a clutch of entertaining cameos provided by Stuart Fox.

City of London Sinfonia

Richard Fairman

Last Friday was St Cecilia's day. To mark the occasion Richard Hickox and the City of London Sinfonia put on a concert of works at the Elizabeth Hall hymning the patroness of music: the obvious contributions by Purcell and Handel were there and to these they added the rather different, more personal *Hymn to St Cecilia* by Britten, who was born appropriately enough on St Cecilia's day itself.

Of the three tributes, Handel's *Ode to St Cecilia* is the most extended and the most obvious. The piece sets an ode by Dryden in Handel's most splendid, celebratory and public style. Each of its arias features a different instrument of the orchestra and the Sinfonia's players made the most of their opportunities by liberally decorating their solos, the organist apparently improvising his changes. Only the "thund'ring Drum" was a disappointment with a half-hearted thwack at the big moment.

The work, as a whole, came across with great vitality. Hickox's way with baroque music involves swift tempi and a good, kicking rhythmic impetus. The little March was treated to notes *inégales* to spare (a stabbing Scotch snap at the beginning of the bar) and the hornpipe aria went with a bracing naval swagger. In the first half he had brought the same sort of joyful energy to Purcell's *Come, ye sons of art away*.

After years of hearing "Sound the trumpet" from this piece sung by school choirs, it comes as quite a revelation to hear it taken by a pair of counter-tenors as skilful as Simon Gay and Michael Chance. Their slow and languid trills ran near to the limits of good taste. The soprano, Valerie Masterton, started the evening with an uncertain edge on the voice, but settled down to give an elegiac performance of "The soft complaining flute" in the Handel.

Britten's *Hymn to St Cecilia* is for chorus alone. But then it lives in quite a different world from the other St Cecilia tributes, the inward-looking and disturbing mood of the wartime years. The partnership of Auden and Britten generated a number of important works in this period, but nothing in them seems more inspired than the haunting three-fold invocation to St Cecilia here. The Richard Hickox Singers made light and deft work of its technical difficulties.

Faber birthday concert

Andrew Clements

The Wigmore Hall management forbade balloons, but Faber Music still managed something of a festive feeling for its 20th anniversary concert on Friday. Every member of the capacity audience received a bag of goodies, including a copy of Paul Griffiths's new book of interviews with British composers, and the Songmakers' Almanac had devised the programme of songs and readings, all with Faber connections.

Some of the items were predictable—Songs to de la Mare, Auden and Eliot, most of them by Britten, with token appearances by Colin Matthews, Roger Smalley and Jonathan Harvey and a scattering of non-house composers. A few were unpublished: three Britten settings of Auden from 1937, much in the mould of the better known *Cabaret Songs*, an early example of Smalley's serialism and a memorably rapt song by Harvey to a poem by the Bishop of Winchester, "Lullaby for the Unsleeping," undoubtedly the discovery of the evening.

Somehow, though, it was an occasion that brought out the less acceptable face of English song, its bloodless and precious side. Even Britten was not heard at his best; only two items from the Pushkin cycle *The Poet's Echo* were right out of the top drawer. Many of the performances also sounded unconvinced. With the one exception of Patricia Rozario all of the singers were more or less ill at ease, with the tenor Alexander Oliver and baritone Richard Jackson never totally settling down. Yet Miss Rozario's Pushkin songs, Catherine Denley's moving account of the Harvey and James Bowman's appropriate archness in several of the humorous numbers were worthy of the occasion. But it was not an Almanac event that one will want to remember for long.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 22–28

Opera and Ballet

WEST GERMANY

Cologne, Opera: This year's highly acclaimed Salzburg production of Monteverdi's Die Heimkehr des Odysseus, newly arranged by Hans Werner Henze, will have its German premiere this month. It is again produced by Michael Hampe. In the main parts are Claudio Nicolai, Ulrich Hielscher, Marianne Hirsti, Hanna Schwarz and Harald Stamm. Also Elektra with Helga Dernesch, Janis Martin and Harald Stamm as leads. (20761).

Stuttgart, Württembergisches Staatstheater: Premiering this week is Fidelio, produced by the Russian producer Jurij Ljubimow. The cast includes Jeannine Altmeyer, Raili Viljakainen and Wolfgang Probst. La Cenerentola is a well done repertoire performance with Doris Soffel, Maria Husmann and Helmut Berger-Tuna. Der Freischütz has Robert Schunk (20321).

ITALY

Milan: Teatro Lirico: Homage to John Cranko: Jeu de Cartes to Stravinsky danced by Bruno Vescovo, Marcia Haydee and Richard Cragun and The Lady And The Fool (music by Verdi – arranged by Charles Mackerras) with Carla Fracci, Jean Charles Gil, Maurizio Bellezza and Davide Bombana (806418).

Turin: Teatro Regio: A new production of Rossini's Elisabetta Regina d'Inghilterra by Gianfranco de Bosio opens the season. Lella Cuberli sings the title role, and the cast includes Daniela Dessi, Rockwell Blake, Mario Bolognesi and Antonio Savastano, Gabriele Ferro conducts (548000).

Trieste: Teatro Verdi: Simon Boccanegra conducted by Tamas Pal and directed by Carlo Maestrini. Scenery by Giancarlo Bartolini Salimbeni. The cast includes Stefka Evstatieva, Renato Bruson and Carlo Cossutta. (631948).

Rome: Teatro Olimpico: Oskar Schlemmer's Das Triadische Ballet: a reconstruction of its first performance in 1922 by the Berlin Akademie der Kunste. (Wed). (393304).

NETHERLANDS

The Nederlands Dans Theater on tour with Uccelli and Converge by Nacho Duato, and Kylian's Wiegelied. Mon in Venlo, Maaspoort (43131); Tue in Amsterdam, Stadsschouwburg (242311); Wed in Apeldoorn, Orpheus (211899); Thur in Enschede, Stadsschouwburg (323233).

Arnhem, Schouwburg. Modern dance festival (Wed, Thur). (422741).

The Netherlands Opera with a double bill of Cavalleria Rusticana and Pagliacci directed by Nicolas Joel, with sets and costumes by Pet Halmen. The Netherlands Philharmonic and the Opera Choir conducted by Bohumil Gregor. Casts headed by Galina Savova and Adriaan van Limpt, and Thea van der Putten and Jan Derksen. Mon in Amsterdam, Stadsschouwburg (242311); Wed in Tilburg, Stadsschouwburg (432220).

LONDON

English National Opera, Coliseum: Katya Kabanova, a famous ENO Janacek production now restaged by David Pountney, marks Simon Rattle's long-overdue London opera debut; Eilene Hannan takes the title role. Further performances of the new Gounod Faust, a lively, original, and very successful new look at the popular favourite, and the rather less successful attempt of the same kind on Orpheus in the Underworld. (8363161).

Sadler's Wells, Rosebery Avenue: London Festival Ballet II, a splinter group from the main ensemble with two programmes of short ballets. (2788916).

VIENNA

Staatsoper: Schoenberg's Erwartung conducted by Ulf Schirmer with Karan Armstrong; Herzog Blaubarts Burg with Matti Salminen and Klara Takacs; Donizetti's The Love Potion conducted by Weikert with Grist, Gyldenfeldt, Yamaji, Weikl, Taddei; Tristan und Isolde conducted by Hollreiser with Sotin, Kollo; Raymonda by Glazunov, Petipa and Nureyev; Die Walküre with Janowitz, Jones, Randova, Lotte Rysanek, Kollo, McIntyre. (5324/2655).

Volksoper: Britten's The Beggar's Opera; Die Ungarische Hochzeit; Zemlinsky's Kleider Machen Leute; Heuberger's Der Opernball; Lortzing's Der Wildschütz. (5324/2657).

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Jean-Pierre Ponnelle's new production of Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggero Raimondi as Figaro. The week also includes Cavalleria Rusticana with Hildegard Behrens and Pagliacci as well as Porgy and Bess, conducted by James Levine, with Roberta Alexander. Lincoln Center (3626000).

Bejart Ballet (City Center): Three world and two North American premieres in this 25th anniversary season, including Le Concours, set to music by Hugues Le Bars and depicting a whimsical whodunit in the setting of a dance competition. The company includes Shonach Mirk and Jorge Donn. Ends Dec 1. 55th E. of 7th Av. (2420800).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. Also Madame Butterfly with Anna Tomowa-Sintow in the title role conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti et I Montecchi, Die Meistersinger and La Rondine (3322244).

FINANCIAL TIMES
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Tuesday November 26 1985

Peking's role in Hong Kong

AFTER SEVERAL months of relative quiet Hong Kong is showing signs of concern about its future again. This latest bout of the jitters manifested itself clearly at the end of last week when the territory's stock exchange fell almost 50 points after months of firm and steady improvement.

The cause of Hong Kong's worries was a statement by China's senior official in the territory, Xu Jiatun, head of the New China News Agency, in which he criticised the pace and direction of political reform in the colony.

Direct elections

Xu's broadside was not an isolated attack and neither was it entirely unexpected. In the past few months Chinese officials in both Hong Kong and Peking have made use of every available opportunity to make their reservations felt about plans to introduce democratic reforms in the territory before it reverts to China in 1997.

Hong Kong held its first elections for seats in the Legislative Council (Legco) — the territory's advisory and legislative body — on September 26. A minority of legislators were, for the first time, indirectly elected. The direction of this and future political reforms is to be reviewed in 1987 and there is already a body of opinion which wants to see direct elections on a one-man, one-vote basis for a certain percentage of Legco seats in 1988.

Political parties

This school of thought argues that if Hong Kong is to develop a self-sustaining local government capable of holding its own under Peking's authority after 1997 it must have a clear political identity and institutions to match.

There is even talk of the formation of political parties to contest elections. It seems clear that many people in Hong Kong have taken at face value the pledge made in the Sino-British declaration signed last December which says that the territory will have "a high degree of autonomy" with an elected legislature after 1997.

All this agitation for reform has made Peking nervous. There has always been a tendency in the Chinese leadership to believe that London has some sinister blueprint which would make it difficult for the territory to be reunited with China anyway.

Above all, however, Peking's concern is to inherit a viable, stable and prosperous Hong Kong which is plainly submissive to Chinese sovereignty.

British officials attending today's meeting of the Joint Liaison Group, the job of which is to ensure a smooth transition to 1997, have been at pains to allay fears that there is a major row brewing between Hong Kong and Britain, on the one hand, and China on the other.

There is, nevertheless, considerable room for disagreement on the issue of political reform. The treaty has raised expectations which, unfortunately, may prove difficult to satisfy.

True the treaty also states quite clearly that the running of the territory remains in British hands until 1997. Strictly speaking, therefore, China has no right to interfere in its affairs before the handover.

Chinese power

It would be unrealistic to pretend, however, that events in Hong Kong are determined by anything other than the reality of Chinese power.

This does not mean that Britain should not do what it can to ensure that the freedoms which have made Hong Kong the prosperous place it is survive after 1997. But it is going to have to make clear to the people of Hong Kong that if they wish to introduce political reform they will have to carry Peking with them.

Britain's short remaining lease on the territory cannot be regarded as a shield behind which to achieve a *fait accompli* for presentation to China in 1997.

Power struggle in Iran

THE APPOINTMENT of an eventual successor to Ayatollah Khomeini as Iran's spiritual leader, announced at the weekend, might be taken as a sign that the revolution is now so well established the regime can confidently make long-term plans for the future. Ayatollah Hosein-Ali Montazeri is very much in the Khomeini mould, a former pupil, one of his most devoted supporters, and for the past three years widely considered in Tehran as the man most likely to succeed.

Yet the timing of the decision by the 82-man Assembly of Experts, whose prime constitutional role is to pronounce on the succession, was a surprise both to Western diplomats in Tehran and, it seems, to the Iranian media which were divided on whether or not to report it. This confusion in Iran lends weight to suggestions that the appointment of Montazeri more accurately reflects a struggle for influence at a time when the revolution appears to be reaching a cross-roads.

Difficulties

The uncertainty over the future direction of the revolution has been sensed in Western Europe and in the Arab countries of the Gulf. Britain, for example, has been very cautiously exploring the possibility of resuming full diplomatic relations while the six members of the Arab Gulf Co-operation Council have considered it worthwhile to try to develop a more regular dialogue with Tehran.

In part these overtures have come in response to a rather more pragmatic approach to international relations adopted by Iran which, while not abandoning its official policy of "Neither East, nor West," has discovered the practical difficulties of running a war and an oil-dominated economy without an extensive list of foreign friends. But most important has been the awareness of a debate in Iran over the future conduct of the five-year war with Iraq. Iran has now lost the initiative. The days of massive infantry-led offensives appear to be over and Iran's inability to acquire modern combat aircraft and missiles have left its cities and industrial plants almost defenceless.

Kharg Island, Iran's principal oil export terminal, has since August been seriously damaged by Iraqi air strikes for the first time in the conflict, and with Iraq developing new oil export pipelines the economic war of attrition looks to be swinging in favour of Baghdad. There are supporters of the regime in Tehran who believe that if this trend continues not only will the Iranian revolution lose more credibility among Moslems at large but that its very foundations inside the country will be undermined.

Constitution

This fear is intensified by the continued in-fighting within the regime as a result of the divide-and-rule constitution created by Khomeini and by the waning powers of the ageing leader. The recent power struggle between the President and the Prime Minister over the nomination of the Cabinet is just the latest example of a government which is expending more political energy on internecine squabbles than on resolving issues such as land reform and the role of the private sector.

There is understandable optimism in the West and among the conservative Arab states these preoccupations will sharply diminish Iran's capacity to export its revolution through both political and military means. But there is also a parallel concern that Iran should not be backed too far into a corner. The Arab Gulf states in particular would prefer to see limited but steady pressure exerted on Tehran in the hope that this will provide arguments and time for the more pragmatic members of the regime to gain greater influence. They fear that more emphatic external action could provoke a further radicalisation of the regime with far greater potential dangers for the region.

Consequences

It is a strategy which to date the two superpowers also seem to have been adopting. They have jointly ensured that Iran will not win the war militarily. It must also be in their joint interests to stimulate a political evolution in Iran rather than contribute to another violent upheaval whose consequences would be as bloody and as uncertain as the events in the years immediately before and after the overthrow of the Shah.

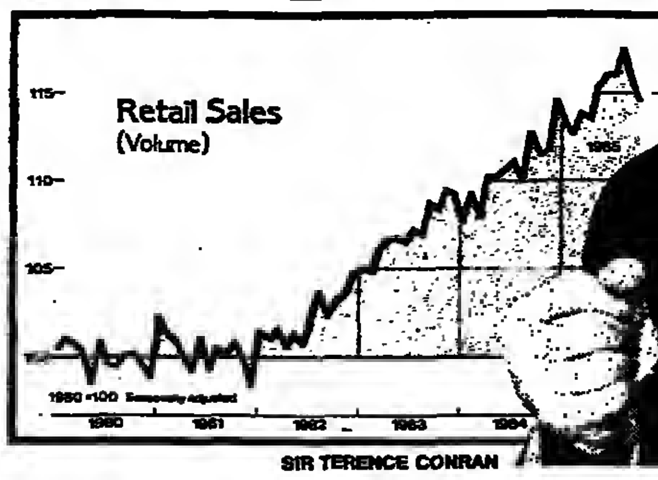
UK RETAILING AND THE BHS MERGER

Conran goes shopping again

By David Churchill, Consumer Affairs Correspondent

HABITAT - MOTHERCARE FOUR YEAR RECORD

	1985 £000	1984 £000	1985 £000	1982 £000
Turnover	446,733	375,410	243,974	157,147
Trading profit	43,887	35,173	22,871	11,287
Capital and reserves	101,557	85,482	79,999	70,059
Trading profit to turnover	9.8%	9.4%	9.4%	7.2%
Pre-tax profits to average capital and reserves	39.0%	37.0%	25.8%	24.9%



SIR TERENCE CONRAN Philip Thompson

THE re-shaping of UK retailing in the 1980s found a fresh and surprising impetus yesterday with the agreed £1.6bn merger between Sir Terence Conran's Habitat - Mothercare retail empire and British Home Stores, often described as the "poor man's Marks and Spencer" of Britain's High Streets.

The move thrusts the merged group firmly into the top dozen of British retailers, based on sales, and is the latest in a series of mergers and take-overs (see table) which are radically changing the face of retailing in Britain.

Sir Terence Conran and a clutch of other leading retail entrepreneurs such as Burton's Ralph Halpern, Alec Monk of the Dee Corporation, and Sir Phil Harris of Harris Queensway, are taking advantage of the changed retail conditions of the 1980s to put together new combinations of store groupings which they believe will give British consumers what they want from shopping in the late 1980s and beyond.

Such merger moves, moreover, may only be a foretaste of what is to come, City analysts, who have been predicting a takeover of BHS for some time, are now turning their attention to other likely candidates such as Boots and W. H. Smith. "We've only seen the tip of the iceberg as far as retail re-structuring goes," argues John Richards, a senior stores analyst with stockbrokers Wood Mackenzie.

Those retailers who have not yet joined the takeover trail—or fear the Government merger policy would prevent them doing so—have not been idle. Marks and Spencer, for example, is spending almost £500m over the next two years on a massive programme of store refurbishment and re-design. Other retailers are spending billions in total on similar new corporate identities in an attempt to woo the fickle consumer into their shops.

Why is British retailing being re-vamped in this way? The moves over the past five years have been prompted by several factors:

● The inefficiencies of retailers in the 1970s were hidden by high inflation—it was easier to pass on a price rise than try to improve productivity. But the low inflation rates of the 1980s have exposed the weaknesses of some store groups, who have been swallowed up by more efficient rivals.

● The onset of the recession from late 1979 onwards forced retailers to fight harder for an increased share of the retail "cake" as consumer spending declined.

● Traditional retailing came under pressure from other types of spending—such as holidays abroad, eating out, and private health. Retail expenditure last year fell to about 39 per cent of all consumer spending—down from 43 per cent in 1980 and 53 per cent in 1950.

● Consumer attitudes and lifestyles are changing. As Edward Whitefield of the Management Horizons research company points out: "Consumers have moved beyond the basic survival needs to the fulfilment of psychological aspirations."

Product design, quality, and style have become more important to consumers in the 1980s. "They not only want an improved standard of living, but also a better quality of life," suggests Rodney Fitch of Fitch and Co, one of the design consultancies which has provided much of the impetus for the rejuvenated look of many stores and High Streets.

Design, in fact, has become the vehicle for the re-shaping of British retailing. Fitch and three or four other major designers have capitalised on the new breed of retail entrepreneurs, not only to become more competitive by offering a distinctive retailing formula but also to help identify and implement new trading strategies. A survey carried out by the Mintel market research company found that almost nine out of ten major retailers had embarked on a design re-vamp during the past three years—and for many it was a continuing process.

Yet the design bandwagon may already be running out of steam. Already it is hard to distinguish some chain stores from each other, since the consultants involved often carry out assignments for more than one retailer. Consumers, moreover, also appear to be becoming more sceptical. Littlewoods, for example, found that its re-designed store trading at one end of Oxford Street actually trades less well than an unmodernised one at the other end.

The 125-strong BHS chain has for long been sandwiched in consumer and City opinion somewhere between Marks and Spencer and Littlewoods in terms of price, style, and quality. Its trading performance, however, became lack-lustre in the early 80s as a result of a failure to grasp changed retailing conditions.

Pre-tax profits fell from £41.8m in 1980 to £39.6m in 1981 on a sales increase that barely kept pace with inflation. Since then profits growth has been steady rather than spectacular, rising to £60.9m in the 12 months ending the beginning of April this year on sales of £608.6m.

Just at the time as new retailing formulae were emerging—such as Next in womenswear—and Marks and Spencer was pulling ahead of the pack, BHS lacked style and appeared down-market to the consumer. Nobody aspires to shop at BHS in the way that they, arguably, do to buy food at M&S or clothes at Next.

BHS, moreover, found itself in stiff competition for the middle market, which has emerged in the 1980s as the key consumer group with spending power. Adults aged between 25 and 45 with children and in the C1 and C2 socio-economic classes, with their high discretionary spending power, are the prize that stores such as Woolworths, Marks and Spencer, Debenhams, and so on are chasing.

The strategy adopted by BHS about three years ago, therefore, was two-fold: to improve the quality of its products and improve the look of its stores.

The design changes began in the Essex town of Harlow and so far over 40 stores have been refurbished at a cost of more than £150m. In addition, four new stores have been opened. The new design is loosely based on the American department store look of wider aisles, subtle lighting, and more relaxing colour schemes designed to appeal to BHS's predominantly women customers.

While BHS has publicly appeared to be happy with the way its design approach has gone, others are not so sure. "BHS must increasingly be asking the question about whether its design strategy is going to work," suggests Wood Mackenzie's Mr Richards. It is difficult to see if the return so far is adequate for their expenditure."

The second thrust of BHS's new marketing strategy was to upgrade its product quality and appearance. Ironically, it retained last last year Conran Associates, the design consultancy arm of Conran's empire, to help rejuvenate its product design.

Conran and his management team based in the Heal's furniture store in London's Tottenham Court Road are understood to have analysed BHS closely.

The merger is almost an exact replay of Conran's merger with Mothercare on 1982—a deal that gave Conran the entry into the first division of UK retailing after two decades when Habitat was his main retail venture. Since then, Conran has launched an upmarket women's fashion chain called Now aimed at 25-45-year-olds (based on his experience at J. Hepworth where he was chairman when Next was created), as well as buying Richard Shops and the Heal's furniture store.

What Conran has brought to British retailing is a design flair and a sense of style that is lacking in so many other retailers. Habitat's initial success was based on providing stylish furniture to a new generation of young consumers brought up in the changing society of the swinging 1960s. In the 1980s, Conran has identified that same consumer desire for a certain style in a wide range of goods.

Conran's success in the 1980s appears to be based as much on reputation as on anything concrete. The stores he has taken over have all had one thing in common: they have all been relatively sound operations but had lost their way in the retail world of the 1980s. "Conran actually does very little with the store groups he acquires other than motivates the management and gives them the leadership they seem to seek," points out Richards.

One Mothercare senior manager points out that following the 1982 takeover, change came about by consultation rather than dictat.

Conran has not always had the magic touch: his early ventures in the US and France with Habitat took a long time to become established although they are now trading profitably. The Now and Heal's ventures, moreover, still have to prove themselves as retail formula in their own right.

But with the BHS merger, Conran has firmly established himself as the leading influence of British retailing in the 1980s. The question remaining, however, is: who next?

STORES IN SEARCH OF A MARKET

THE small revolution which has occurred in the British High Street over the past five years primarily the result of retailers seeking sharper marketing profiles in an increasingly competitive business.

These forces have produced a spate of mergers, as well as a major re-think in shop design.

Woolworth, with 850 stores, has undergone one of the most dramatic transformations. Since the £310m take-over by a financial consortium in 1983, the group has employed design consultants such as Fitch to complement its research on selecting the right merchandise.

Currently the group is experimenting with a series of pilot schemes. Traditionally the group had 64 departments within each store.

In the pilot schemes these have been reduced to eight inside six trial "week-end stores" which are aimed at matching prices of major competitors in sensitive locations. Six other trial "general stores" are in quieter High Streets and specialise in records, confectionery, children's clothes, and toys.

This idea of carefully defining target audiences was fine-tuned by Burton, the clothing group whose specialist outlets include the Next womens' chain and Top Shop which caters for a younger woman. Mr Ralph Halpern, chairman of Burton, already has something to show for these changes. In the 26 weeks to March 2 this year, the group raised lifted pre-tax profits by £8.6m with turnover up by 33 per cent.

Mr Halpern, whose group acquired Debenhams for £566m earlier this year after a fierce fight, intends to use the same approach there. The Debenhams Galleria concept offers a number of shops under one roof, aiming at the whole family.

The belief that the future of retailing is out of town was a major element in the £615m merger between MFI, the furniture group and Associated Dairies, the Asda and Allied Carpets group. Both companies believed there were considerable advantages to be had by combining their knowledge of site acquisitions and developments. The agreed bid created Britain's fourth largest retailer after Marks and Spencer, J. Sainsbury and Great Universal Stores.

Lisa Wood

MAJOR RETAILING MERGERS

Woolworth F. W./Dodge City DIY	£20.1m	1981
Habitat/Mothercare	£117.6m	"
Argyll Foods/Allied Supplies	£101m	1982
Paternoster Stores/F. W. Woolworth	£310m	"
Hanson Trust/UDS	£265m	1983
Argyll Group/Amalgamated Distilled Products	£233m	"
H. Samuel/James Walker	£29m	1984
Woolworth/Comet	£177m	"
A. Guinness/Martin the Newsagent	£48.6m	"
Halfords/Ward White	£52m	"
Dee/International Stores	£180m	"
Dixons/Currys	£248m	"
Dee/Lennons	£23.2m	"
Sears/Foster Bros	£115m	1985
Asda/MFI	£615m	"
The Al Fayedh family/House of Fraser	£615m	"
Burton/Debenhams	£566m	"

Source: FT estimates.

Men and Matters

Shortlist for SuperChannel

The search is on for a chief executive for SuperChannel, the planned ITV venture into the world of European commercial TV.

The job, which will involve red-blooded competition with Rupert Murdoch's Sky Channel, and Robert Maxwell's English-language channel for Europe, has been pencilled in at a £75,000 salary plus the usual fringe benefits.

The list includes Muir Sutherland, who recently announced his intention of retiring early as Thames director of programmes to run his own company.

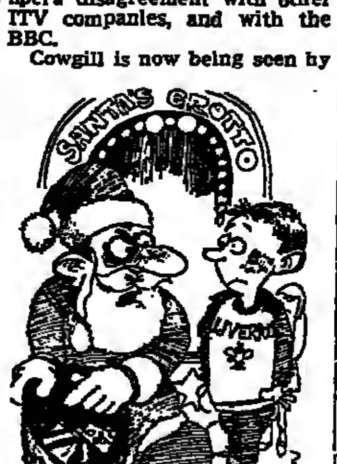
Another name is Patrick Cox, the managing director of Sky Channel, who has taken it from virtually nothing to a point where it is available to 5m homes throughout Europe.

But the current favourite on the shortlist is the most surprising name of all—Bryan Cowgill, who was managing director of Thames until his resignation recently over the Dallas soap opera disagreement with other ITV companies, and with the BBC.

Cowgill is now being seen by senior ITV executives as the man most likely to make SuperChannel succeed.

The plan is to put together the best material from all four British television channels.

Meanwhile, Cowgill seems to be turning a blind eye to ell career opportunities, and is getting on with his book on the real-life drama of the Dallas episode, the IBA, and his 30 years in broadcasting.



"Never mind what you want—you'll get what the Council leaders think is best for you"

Chung celebrates

Chung Ju-Yung, founder and chairman of the Hyundai group, Korea's largest business conglomerate, celebrated his 70th birthday last night at a crowded reception where most of Korea's rich and famous turned up to pay homage.

Chairman Chung is a legendary rags-in-riches figure in Korea. He built some of the country's largest and strongest companies, and was a close associate of the late President Park Chung-Hee.

He promised Park that his company, Hyundai Engineering and Construction, would build the Seoul-Pusan expressway at a bargain basement price, and proceeded to do just that after the World Bank concluded that it was not possible. Hyundai is now one of the three or four largest construction companies in the world.

Chung has lately emerged as an outspoken critic of Government economic policy. But there is little question about his political loyalties. Members of the Opposition were notably absent from his birthday party.

Chung has seven sons, five of them serving as presidents of some of Hyundai's 25 subsidiary companies. He recently surprised Korean reporters by remarking that he would not pass the helm of his industrial empire over to any of his sons, but might rather choose his younger brother, Chun Se-Yung, president of Hyundai Motors, or a professional manager.

But if Chung has begun to think of retiring, he is in no hurry to go for some years yet.

Stern reckoning

Gerd Heidemann, former star reporter of the West German magazine, Stern, has had a wretched time trying to make money out of the Hitler era.

Last July, he was sentenced to more than four years' jail for his part in the Hitler Diaries fraud.

Now his pride and joy, the yacht, Karin II—once owned by Hermann Goering—has been forcibly auctioned for DM 270,000. The sum may sound large, but it is far from enough to cover his debts.

Heidemann bought the yacht in 1973 for DM 160,000, and ran up huge debts to restore the vessel to its former splendour. He tried to sell it for DM 1.1m (£293,000) five years later but failed, and it was largely to get his finances back in order that he became involved in the fraud, which saw Stern pay DM 9.3m for 60 diaries said to have been written by Hitler. But, as everyone knows, that ploy failed, too.

Yesterday came the financial reckoning as the Deutsche Bank, owed DM 430,000 by Heidemann, demanded the sale of the Karrin II.

Telegraph line

Word reaches me that Ian Irvine of Fleet Holdings—owner of Express Newspapers—has been repulsing offers from the Telegraph group. Irvine masterminded the brave but unsuccessful fight to stop Fleet being taken over by United Newspapers last month. A former partner in the Touche Ross accountancy firm, he boosted Fleet's national newspaper profits, sending them from £6.4m last year to £10.5m in the 12 months to June 1985.

Understandable therefore that the Telegraph group—publishers of the Daily and Sunday Telegraph — should approach Irvine to talk about the possibility of his becoming its chief executive. The Telegraph, which is expected to report e loss later this week or early next, has admitted that it is having difficulty funding the £110m refinancing package arranged this sumer to pay for its ambitious modernisation programe.

But I understand that Irvine, who is said to be discussing job options with various people, could not be tempted.

Labour shortage

Ever anxious to report news of the Nordic economies the FT's Kevin Done is not the man to ignore the writing on the wall.

And this is what he read on the wall at an Ericsson group factory in Sweden:—

Called "Who will do the job?" the announcement continues:

"Swedish population 8,100,000. Over 65 years 1m. Left to work 7,100,000.

"Under 21 years 2,900,000. Left to work 4,200,000.

"On holiday 350,000. Left to work 3,850,000.

"State employees 850,000. Left to work 3m.

"Military service 550,000. Left to work 2,450,000.

"Local authority workers 750,000. Left to work 1,700,000.

"On sick leave 700,000. Left to work 1m.

"Workshy 994,800. Left to work 5,200.

"In prison 5,198.

"Left to work 2.

"You and me—and I'm tired."

Observer

Letters to the Editor

Curbing EEC grain output—quotas or pricing?

From the Director, University of Oxford, Institute of Agricultural Economics

Sir,—Your interesting leading article (November 21) on curbing EEC grain output, though slanted in the right direction, effectively ignores an issue of fundamental importance and also makes some dubious assertions.

In discussion of the CAP excessive attention is paid to trends in the growth of output and far too little to potential variability. A rising trend, relative to utilisation, causes obvious and growing problems of surplus disposal; a sharp variation in European output, particularly if it coincides with a disturbance to world markets because of variability elsewhere, could cause more immediate and potentially painful results.

While it is true that there has been no severe shake up in world markets since the food crisis of the early 1970s dangers do still exist. Dr Peter Hazell of the Washington based International Food Policy Research Institute has recently calculated the probabilities of there being a 5 per cent shortfall below trend in cereal supply. In the cases of the US, Canada and Oceania the estimates are respectively 22.6 per cent, 31.9 per cent and 40.9 per cent. For the USSR the figure is 36.3 per cent, while in Europe, which is somewhat less affected by climatic variation, the probability is still 15.6 per cent. For a set of complex reasons potential variability is probably increasing. Though it is true that the probabilities of upward shifts in production are precisely equal to those of shortfalls, and while it may be unlikely that all would suffer simultaneously, the probabilities are so large that they cannot be ignored.

Given this situation what may be thought to be excess productive capacity resulting from trend growth at around 2.3 per cent per year (allied to cereals in stock, though quantities are small in relation to output and very low indeed in relation to potential variability) has the benefit of being a buffer against both domestic and external shocks. Costs of persistent over supply are real enough in terms of budgetary burdens, wastes from not exploiting comparative advantage in production, and GATT difficulties. Nevertheless, while we may well be over-insured, some effective premium is called for and it is time for this much neglected subject to be properly unwrapped.

Your unjustified assertion relates to the old problem of a belief in "perverse supply," i.e. that small cuts in prices are ineffective since farmers react by producing additional amounts to maintain incomes. Weight is always given to this supposition (and often to the even stronger one that supply is even more obviously perverse) by an appeal to "facts"; namely that real price reductions over time have not halted the surge in production. If due regard is paid to the influence of technical progress and if efforts are made to distinguish between short and long run responses there is no supporting economic evidence.

Though your leader eventually concludes that price reduction is the preferable option your case would have been strengthened by a more forthright statement of the true position. In matters of agricultural policy one must always beware of acts of treachery (John Cherrington recently drew attention in your pages to the "great betrayal" of 1921), but it is plain that phased and controlled compensation to those injured by price reduction is preferable to the dirigisme of strict quota control.

G. H. Peters.
Dartington House, Little Clarendon St, Oxford.

From Mr D. Shaw

Sir,—As corporate treasurer of substantial farming enterprises in south east England I am only too aware of the pressures being exerted on profit margins, and the prospects of further quotas or price mechanisms introduced to reduce current production levels leaves many farmers with the feeling that there is indeed no clear sense of direction.

Some sympathy with Mr Campbell's views (November 19) is certain, and I applaud all the virtues he attaches to forrestation, but where, may one ask, are the investment moneys to come from for the achievement of these long term aims? Far from some tax efficient scheme, direct subsidising of the cost of arable land would seem to be essential. The latest Ministry press release for land prices in England shows the average weighted price per hectare for the first nine months of 1985 to be £4,476. It is difficult to obtain an adequate return on, say, cereal crops in spite of the regular annual production, what chance is there for a 30-year crop?

The hardest fact of life now for many farmers — but particularly those who want desperately to get started — is the cost of land, the price appreciation of which has in many cases and for too long been an acceptable substitute for trading profit. Although on a rough plateau for the last few years, it will have to decline substantially if Mr Campbell's schemes are to have any chance. The alternative would seem to be massive capital grants. Quite apart from any Ministry/Treasury resistance I fear there may well be an EEC rule about that!

But I am all for trying.

D. J. Shaw,
23 Station Road, SE25.

From the President, Grain and Feed Trade Association.

Sir,—John Cherrington (November 19) says farmers should opt for quotas rather than price restraint as the means of reducing cereal surpluses.

I believe cereal farming is one of Britain's success stories of the past 10 years, and we have shown them that we can be competitive in free world markets. We should not throw away the advantage.

Quotas mean a little England approach. By freezing production in today's patterns, they take away the incentive to innovate and the possibility of taking market share away from our competitors.

The transition period under the Commission's proposals of modest price reduction, discounts for poor quality, some modification to the intervention system and some co-responsibility is unlikely to be unduly harsh in a transition period. I believe it is a price worth accepting for the chance to remain innovative and competitive.

No Sir, Mr Cherrington is wrong, grain quotas are the greater evil.

David Nelson-Smith,
24-28 St Mary Axe, EC3.

Impact of free newspapers

From the Chairman, Portsmouth and Sunderland Newspapers.

Sir,—I read with interest the letter by Mr Ian Locks (November 20) on the impact of free newspapers.

He says that the Media Sales Bureau researched free newspapers in 1984 and found that "78 per cent of people in the country as a whole had read a free newspaper within the last week . . . ."

Perhaps Mr Locks would be so good as to tell us what he means by "read"?

Does he mean, I wonder, more than "picked up off the floor to see what it was before throwing it away"?

I ask the last question in view of the fact that the research done by Marplan which formed the basis of your story of November 13 showed that 59 per cent of people who "read" a single copy of a free weekly newspaper did so for less than 15 minutes, whereas 64 per cent of those reading a paid-for weekly paper said they did so for longer than 15 minutes.

(Sir) Richard Storey,
37 Abingdon Road, W8.

Put executives out to grass

From the Managing Director, Coutts Career Consultants.

Sir,—Michael Dixon in his most excellent Jobs Column (November 21) sees mystery behind pay rises for those reaching the plateau of their abilities.

It is perfectly correct for companies to put out to grass, or dispense with, senior executives when they have ceased to be of driving value to the company.

The real problem is usually lack of enthusiasm through lack of change; it is not necessarily through lack of promotion. Interestingly, the CBI conference was on the theme of "Change to succeed."

It has been the wisdom of the armed services, civil service, diplomatic corps, bank managers, etc to change their key executives at regular and pre-determined intervals. Industry could well learn from this example.

Tom Carew,
25, Whitehall, SW1.

Quality management process

From Mr E. Whiting and Dr M. Walsh.

Sir,—The research findings on quality (November 13) were interesting and coincided very much with our own research. But they said nothing about what should be done in what circumstances and by what methods. Our further research with some in-depth case studies may shed some light on the process of managing quality.

We believe that quality is an arm of strategy, which must be considered in the same way as capital investment, pricing policy, product development and so on. Decisions on quality should not be the result of following the fashion or an automatic assumption that quality enhancement is always good. In some cases it may be actually more economic to reduce quality on certain products.

Absolute quality is rarely a worthwhile strategic objective. Perceived quality is the relevant strategic factor: if quality is raised from 98 per cent to 99 per cent but the customer is not aware of it, the extra cost is wasted.

There are many variables involved in appraising the optimum quality policy. The measure of quality needed in a competitive market is relative quality: how our quality compares with competitors. This must be evaluated against market share, price and the cost of improving quality.

A system of costing quality is crucial. To establish a workable and credible system it is probably necessary to bring together accountants, quality controllers, engineers and managers. The costing has to follow the lines of the business operation, which may well make the costing method unique to the company.

Where quality is a vital strategic component, control systems based solely on production costs and quantities should be modified to show quality costs and numbers of failures as a key measure of business performance.

Management of quality as a strategy must be in the hands of someone who transcends the often narrow perspectives of a departmental or specialist manager.

Armed with cost information, a major quality improvement should be treated in the same way as a capital investment, calculating the net present value or rate of return, and taking the decision from there. For some this may be too sophisticated, but measurement and costing, along with an appraisal of the technical possibilities and market position of the product, are essential to any rational quality strategy.

Edwin Whiting.
(Dr) Malcolm Walsh,
Manchester Business School, Booth Street West, Manchester.

Candidates for local councils

From Mr D. Whalley.

Sir,—Before the public, the Government and your editorial (November 18) criticise councillors for, in some cases, being employed by other local authorities it is helpful to ask why such a limited range of candidates present themselves for election. Especially, why do so few have an industrial background?

Since the reorganisation of local government into bigger units in 1974, the workloads of councillors have increased enormously.

In 1982, for example, a MORI survey discovered that 60 per cent of councillors were spending over 20 hours per week on council work. On average, councillors in employment took 25 hours per month off work to attend to their public duties.

While many urge that more people with an industrial background should seek election to councils, in fact fewer candidates are coming forward from industry. This is possibly because even employers with a progressive employment policy on paper do not foresee, and thus find it difficult to cope with, the magnitude of work loads taken on by their employers in public office.

We have a lesson to learn from Sweden here. After a reorganisation of local government which, like ours, resulted in fewer councillors on larger authorities, their Government set up a Royal Commission to suggest how it could be made easier for more citizens to accept public office and so to spread the "recruitment" net more widely.

Faced with an alleged over-preponderance of local authority employees as councillors, our Government should be helping a wider cross-section of the community to seek election, rather than to squeeze more people than ever out of this form of democratic participation.

David Whalley,
4, Melksham Close, Macclesfield, Cheshire.

What happens to each year's output of graduates

From Mr B Steptoe

Sir,—I refer to Michael Dixon's article of November 14 on "What happened to universities' graduates."

The annual collection of data about what happens to each year's output of graduates—of the first destination return (FDR) as it is called—is an initiative by careers services going back over thirty years and was designed for two reasons: to assist careers advisers in discussing with both students and employers the way in which graduates are employed across the labour market, and to measure the changing state of the labour market on a year-on-year basis and of graduates' response to it. It was never designed as a form of management accounting, auditing the excellence (or otherwise!) of particular courses and institutions. Except in the crudest terms, it would therefore be positively unhelpful to use it in such a way.

Either as a result of Michael Dixon's powerful advocacy or as a result of a feeling in Government and elsewhere, both the Jarratt report and the Government green paper on higher education into the 1990s have proposed that "the success of students in obtaining jobs, their relative salaries and employment" should be used as one of a series of "indicators" in measuring the performance of institutions. While it has never been said that the FDR should be the means of making such measurements, it is perhaps understandable that those seeking some means of making such measurements, it is perhaps understandable that those seeking some means of assessing the value obtained for the massive national investment in higher education should seize upon whatever is most readily to hand.

I understand that a small group involving the University Grants Committee and the Committee of Vice-Chancellors and Principals is looking at the whole question of "performance indicators" in order to assess the appropriate formulae so that date might be produced upon which sensible planning decisions might be based. For instance, no account is taken of 'A' level scores when looking at the apparent employability of different groups of graduates. When one considers that 10 per cent of all first degree graduates entering employment each year in the UK go into accountancy and that a minimum of 9 UCCA points is the standard for preselection for first interview, the impact of 'A' level scores upon the success of final year applications for employment is clear.

Similarly many employers have started to set a pre-selection criterion of a certain success at 'A' level, merely to reduce their administrative load in handling applications. The sheer volatility of the labour market makes it dangerous to extrapolate what happened in one year into a long-term trend.

The tightness of the labour market since 1979 has meant that graduates now tend to take longer to enter employment—but this transition from full-time education to employment is not necessarily a reflection upon the individual, the subject studied or the nature of the university where it was studied. In any 'league table' some will be towards the top while others will appear towards the bottom. It is the deviation from the norm that is statistically significant—a point not addressed in the article.

What we need is an agreed formula for monitoring the success of the output of higher education with a system of longitudinal surveys if we are to have any sound data upon which the nation may properly decide whether it feels its investment in higher education is justified. This the present FDR cannot do.

I invite Michael Dixon's attention to the other side of the binary line, where no such similar first destination information is published by individual polytechnic or college of higher education. If we are to be accountable, then let the rules apply equally to all of us and let them be in terms we can all understand.

B E Steptoe.
(Chairman, Association of Graduate Careers Advisory Services Statistics Sub-Committee),
50 Gordon Square, WC1.

A building block for Moscow

By David Buchan, recently in Kiev

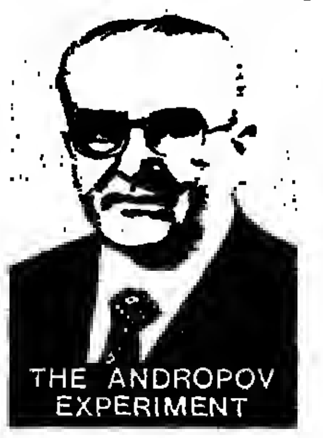
IF Mr Mikhail Gorbachev has got off to a running start towards his highly ambitious goal of doubling industrial output in the next 15 years, it is, in large measure, due to the Andropov experiment.

The impression given by a visit to two industrial plants in the Ukrainian capital of Kiev—one a humdrum brewery and the other a world leader in metallurgy—is of remarkable change. They show, at least in the Ukraine, the second most important Soviet republic, that (a) Mr Gorbachev has a real reform legacy to build on, and (b) that some local industrialists and politicians are reacting to Moscow's wind of change with reformist ideas of their own, instead of waiting for a Muscovite lead.

It was the late Yuri Andropov, Mr Gorbachev's political mentor and predecessor, who launched in January 1984 the "experiment" to give more autonomy to enterprises—transport and electrical machinery generally, light industry in Belorussia and Lithuania, and food processing in the Ukraine.

This is how the Obolon brewery and soft drinks factory in the concrete high-rise outskirts of Kiev came to be one of the "guinea pigs." Mr Leonid Riabchiniuk, its director, is positively bursting, almost like one of his city's famous chicken specialities, with enthusiasm about the results—sales up more than 20 per cent and labour productivity up more than 10 per cent.

The experiment, currently covering 12 per cent of national output, is to be re-labelled "the new economic conditions," indicating a new degree of permanence, and extended to half of Soviet industry next year and all of it by 1990.



THE ANDROPOV EXPERIMENT

Under the reform, profits and wage bonuses depend on how many goods are sold or contracted for by customers—not on the height of the stockpile

The essence of the reform has been to increase the autonomy of the factory's managers and workers at the expense of the republican and national ministries' administrative powers, but, as a check on this new autonomy, also increase the market power of the factory's customers. "Previously, the production plan was imposed from above and our management views were frequently ignored," says Mr Riabchiniuk.

Traditionally, Soviet enterprises have always sought the lowest possible output target and highest possible inputs—one factor creating the country's chronic shortages. This is because profits and wages bonuses have been geared to over-fulfilment of the output target, regardless of whether the extra production was saleable or not. Under the reform, profits and wage bonuses depend on how many goods are sold or contracted for by customers, not on the height of the unsold stockpile in the factory warehouse.

The ministries no longer tell Obolon how many workers it should employ or what technology it should use. They simply set a "norm" that workers should be paid X roubles per Y unit of sold output.

The sanction on this new-found freedom is the contract system, or, in a sense, the market. "We have 800 customers. If one single contract is not fulfilled, we lose a flat 15 per cent of the wage bonus fund, and for each one per cent of contract under-fulfilment, we lose a further 3 per cent in wage bonuses, up to a maximum of 25 per cent," says Mr Riabchiniuk. The Obolon director says he has guarded against these draconian penalties by making the volume of his planned production slightly higher than the sum of his anticipated contracts for the year. But the factory can still be hit in its pay packet, if a customer cancels a contract on grounds of poor quality.

Disposal of the extra wage bonuses is decided by Obolon's worker brigades, chiefly on an individual's merit, according to Mr Riabchiniuk. Rewards go to tidy workers who leave their machines in good order, or skilful workers who can operate two machines at once.

"The most important thing," Mr Riabchiniuk believes, "is that all workers are now involved in the results of their work." Shopfloor discussions and decisions on profit or bonus-sharing motivate good workers and shame bad workers, he says.

The upshot is that labour productivity, planned to increase last year by 2.4 per cent, rose by 5.6 per cent, and output sold rose by 9.6 per cent in 1984. Perhaps this was beginner's luck, or having the spotlight of experiment on the factory? No, says Mr Riabchiniuk. In the first nine months of this year productivity and output increased by 8 and 14 per cent respectively, over last year's good levels. Since the start of 1984 the factory workforce has fallen by 50 people to 1,150, and partly replaced by automatic packing machines.

Did the unions object? No, says the director, because in Kiev as in most of the country there is a labour shortage. "We will go on trying to reduce the labour force," Mr Riabchiniuk emphasises. Some workers are now paid 30 per cent more than others on the same technical grade. Do not workers collectively resent such differentials? No, through the work brigades they helped create them, insists the director.

Mr Riabchiniuk admits, however, that his factory has two special advantages. Partly because it is relatively new. It was even before the reform 150 workers short of the employment "norm" set by the state. An older plant might have had more workers to shed. Second, the Gorbachev anti-alcohol crackdown has stimulated demand for Obolon's products, not so much soft drinks but bottled beer — Kievians are now reluctant to stand in the streets drinking beer sold from a travelling truck.

Yet the Obolon enterprise is not so special. Productivity in the Ukranian food processing industry generally rose 3.3 per cent in 1984, or 1=1.5 per cent above the gains in other sectors, according to Mr Alexander Emelyanov, director of the Ukraine Economics Institute.

Mr Evgeniy Kapustin, head of the Economics Institute of the Soviet Academy of Sciences in Moscow, gives the Andropov-initiated experiment extremely high marks (virtually reminiscent of official Soviet election turnouts)—100 per cent success for experiments in the republican light and food industries, and 98.8 per cent in the all-union transport and electrical machinery industries. But he believes that they scored better in terms of saving labour than in speeding technical innovation.

In Kiev, the E. O. Paton Electric Welding Institute decided to do something on its own about the innovation problem. Two years ago, influenced by the Andropov reforms hot on its own initiative, it set up six "engineering centres," or consultancies to help enterprises introduce new techniques in return for a fee paid out of savings from new technology.

Mr Leonid Lobanov, its deputy director, says several enterprises are using his institute's services, but real results will only show when the Andropov management experiment extends to heavy engineering.

In the meantime, however, the Kiev city communist party has decided to give technical innovation a political push, by creating the wordily-named Council of Assistance to Guarantee Scientific and Technical Progress. The majority of this 50-strong body are scientists and engineers, whose role is to identify areas of desirable innovation and then to use the party's political clout to persuade enterprises to adapt.

Nowhere has Mr Gorbachev's emphasis on the need for Soviet industry to modernise existing facilities rather than build new ones, been more warmly welcomed than in the Ukraine, which despite Second World War damage, is very much the old industrial heartland of the country. The republic has been anticipating Mr Gorbachev in its own local spending and has devoted a steadily increasing share of investment funds to renovation and reconstruction.

But the lesson of the Ukraine also seems to be that even extra political push and budget money are not quite enough to force change on enterprises from the outside. What works is motivation from the inside—the autonomy and incentive for managers and workers themselves to welcome and adapt to change.

FINANCIAL TIMES

Tuesday November 26 1985

Deadline looms for AT&T talks in France

By Paul Betts in Paris

NEGOTIATIONS between the French nationalised Compagnie Générale d'Electricité (CGE) industrial group and American Telephone and Telegraph (AT&T), on a major deal which would have given the US telephone company a 15 per cent stake in the French public telephone exchange market, appear on the verge of collapse.

CGE and AT&T have been negotiating for the past eight months the landmark agreement but have failed so far to win French Government approval. The two companies have set themselves a deadline of November 30 to complete the negotiations after which each group would be free to break off the talks and seek other alternative solutions.

The French Government appears unlikely to take a final decision by the end of this week. Indeed, officials last night said the Direction Générale des Telecommunications (DGT), the French state telecommunications authority, was expected to continue testing AT&T switches and would only be able to decide whether to give the deal the go-ahead by the end of next month.

Although officials said that the Government and the DGT were keeping "an open attitude" to AT&T, there is a growing view in Paris that the Socialist administration is in no hurry to approve the deal and that it is generally opposed to it.

The Government has made no secret that it would prefer a European association in the telecommunications industry, fearing the political repercussions of allowing AT&T into the French public telephone exchange market.

For CGE and its Alcatel-Thomson telecommunications subsidiary, the collapse of the AT&T agreement would be a major blow.

CGE has been banking on the AT&T link-up to boost its presence on the US market for public telephone exchanges. Under the agreement, AT&T would help CGE sell its E-10-S switch to the former Bell operating companies. The deal also envisages a link-up in the groups' microwave activities which CGE believes would strengthen its position in this telecommunications sector.

But the French Government appears to have felt that AT&T was getting the better part of the deal and wanted the American company to improve its offer of support in the US to CGE in return for gaining a 15 per cent share of the French public exchange market.

French Government officials claimed last night that the November 30 deadline did not necessarily imply that the deal would collapse if the Government failed to make its decision known by that date. The Socialist Administration appears to believe that CGE and AT&T will probably decide to keep their collaboration options open until the DGT has completed its technical review of the proposed accord.

Elf plans chemicals link with Japanese group

BY PAUL BETTS IN PARIS

ELF-AQUITAINE, the French state-controlled oil group, is on the verge of signing a FFr 200m ($25.3m) industrial joint venture agreement in Japan in the heavy chemicals sector. The agreement is expected to be followed by a smaller joint venture with a Japanese group in heavy chemicals.

Mr Michel Pecqueur, Elf chairman, declined yesterday to disclose the group's partners in Japan. But he said that the joint ventures were part of Elf's efforts to develop its business with Japan, which already accounts for between FFr 4bn-FFr 5bn of Elf annual sales.

Elf, France's largest enterprise, is already involved in joint ventures with Japanese groups in oil and gas production and in pharmaceuticals. In France it recently formed a joint venture with Toray of Japan and Pechiney, the French nationalised aluminium group to produce carbon fibres in south-west France.

Elf officials said that the larger of the two new Japanese ventures would be on the same scale as the carbon fibres venture in France. They would involve an initial investment of FFr 200m and employ about 100 people.

While helping to expand Elf's penetration of the Japanese market, the French company hopes the new ventures will encourage more Japanese investment in south-west France where Elf owns the declining large gasfield of Lacq.

Elf has encouraged alternative job investments in the area to compensate for Lacq's decline and for job losses.

Elf has also helped three other Japanese industrial investments in south-west France with low-interest loans. These include two Sony cassette manufacturing plants and a Pioneer electronic plant.

Elf wants to forge closer ties with Japan to help develop its large offshore gasfield in the Gulf of Bonaparte off north-west Australia.

Elf envisages developing this field in the early 1990s. However, this will depend on finding customers for the gas.

Elf is thus competing against several other projects to sell gas in liquefied form to Japan, the main buyer of liquefied gas in the area.

Mr Pecqueur estimated that investments for development of the Australian gas field and the construction of the related liquefaction facility would total $3bn.

The imminent joint venture agreement with Japan is part of the development efforts Elf has made in the chemical sector since it took over the leadership of the French heavy chemicals industry in late 1983 under a Socialist government reorganisation plan.

Elf has regrouped these activities in its Atochem subsidiary, which is expected to break even this year.

Chief of BIS calls for tighter international banking controls

BY DAVID MARSH IN PARIS

A CALL for closer control of international banking to guard against risks of growing financial innovation was made last night by Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements.

In a speech to bankers in Paris, he warned that the accelerating trend towards new financial instruments and off balance sheet business in international banking was making central banks' monetary control efforts more difficult. It was also changing the structure of international finance by putting lenders – in some cases companies acting increasingly like banks – in direct contact with borrowers.

Such business escaped traditional regulation, blurred transparency and complicated assessment of risks, he warned.

Mr Lamfalussy, expressing concerns which have been worrying the Basle-based central bankers' bank for some time, said monetary authorities had to learn to "master" financial deregulation.

He said the gathering of information about segments of financial markets which are becoming increasingly interlocked, had to be extended and accelerated, both nationally and internationally.

Additionally, supervisory authorities needed to adopt control procedures by properly co-ordinating surveillance of different sectors of markets. Prudential control over areas like banking risks which did not enter on to banks' balance sheets – such as guarantees and the use of securities to back credits – needed to be harmonised internationally.

Mr Lamfalussy said deregulation offered some advantages. It was breaking down rigidities in the financial sector and bringing savings resources and investment outlets more quickly into balance. Additionally, the mass of new financing techniques was offering intermediaries increased insurance against risks in an uncertain economic environment.

But he warned that innovation in the US and Britain had endangered the credibility of monetary policy by blurring the authorities' ability to judge the value of specific monetary indicators.

He suggested that floating interest rates in international bank lending had offered banks less protection than often thought from fluctuating risks. Third World countries had built up excessive debt during 1977 to 1980 as a result of negative real interest rates.

Floating interest rates had enabled the banks to protect themselves against credit margins moving unfavourably. But this was offset by the greater risks banks now faced in recovering principal from heavily borrowed developing countries after the switch to positive real interest rates in 1981-82 exposed many of these countries' fragility.

Du Pont invests £45m in Ulster

BY ANTHONY MORETON AND OUR BELFAST CORRESPONDENT

DU PONT is to build a £45m ($65.7m) plant in Northern Ireland to produce Kevlar, a non-woven fibre used in the marine, aerospace and motor industries. The announcement yesterday came five days after the US company unveiled a $120m investment in Tyvek, another non-woven, in Luxembourg.

The operation, which should be operating in two years, will employ 300 at Maydown, near Londonderry, in an area where unemployment among men is running at 38 per cent. The plant will be built next to an existing Du Pont factory where Lycra, one of the main fibres that puts elasticated stretch into tights and swimwear, is produced.

The past week's decisions represent a change of strategy by Du Pont, according to Mr Siegfried Wittauer, the company's director of industrial fibres and engineered nonwoven structures division at the group's European headquarters in Geneva.

He said: "We have always supplied our customers worldwide from Richmond (US). We now intend to get closer to our customers. The basic polymer will continue to be produced in the US but all the fibre for the European market will be spun at Maydown."

Mr Wittauer forecast that eventually Du Pont will have to set up a spinning plant in Japan, where growth rates for non-wovens are higher than the 8 per cent being achieved in Europe.

The Maydown spinning plant will have a capacity of 7,000 tonnes a year compared with 20,000 tonnes at Richmond.

Under the UK Government's regional programme, Du Pont will be entitled to grants of up to 50 per cent towards the cost of new buildings and machinery.

Kevlar is an aromatic polyamide, part of the nylon family, which is already being used in bullet-proof jackets, soldiers' helmets, high-performance conveyor belts and high-performance tyres. It is also being developed as an alternative to asbestos in brake linings.

Raising profile in Europe, Page 19

Turner seeks delay in MGM-UA takeover

By Paul Taylor in New York

TURNER Broadcasting System (TBS), the US cable television group controlled by Mr Ted Turner, yesterday asked the US Securities and Exchange Commission (SEC) to delay processing registration statements filed in connection with the Atlanta-based group's $1.5bn proposed acquisition of MGM-UA Entertainment.

Turner Broadcasting said it had asked for the delay to enable it to update the documents to reflect a possible deal with Viacom International, another major US cable television group. As a result, TBS said it had also asked MGM-UA to change the date for its shareholder meeting to approve the acquisition. It now expects the meeting to be held on January 21, with the merger consummated immediately after – irrespective of the outcome of the Viacom discussions.

Earlier this month, Turner Broadcasting and New York-based Viacom International confirmed that the two companies were discussing the possible acquisition by Viacom of a 50 per cent interest in one or more of the assets and businesses of MGM-UA Entertainment, including the Hollywood film group's motion picture studio and certain distribution rights.

Viacom is reported to be considering paying up to $300m for a 50 per cent stake in MGM-UA Entertainment's Culver City production facilities together with certain other assets. Under the terms of the Turner Broadcasting bid for MGM-UA, Mr Kirk Kerkorian, who owns 50.1 per cent of MGM-UA, and who has given TBS irrevocable proxies in favour of the deal, has also agreed to buy the United Artists film production unit back from Turner Broadcasting after the deal is completed for about $470m.

Turner Broadcasting plans to finance the MGM-UA deal mainly through the issue of $1.25bn of debt securities and cumulative preferred stock but has indicated that cash flow from the combined company "would be insufficient" to service the debt unless it refinanced all or part of the debt securities, or disposed of assets.

As part of its attempts to raise funds to help complete the deal TBS has put a minority stake of between 30 and 49 per cent of its Cable News Network (CNN) operations up for sale. However, late last week TBS said it had decided not to sell a 50 per cent stake in CNN to NBC, the US television network group owned by RCA. NBC is believed to have offered $200m for the stake – about $100m less than TBS was seeking – and to have demanded editorial control over the 24-hour-a-day Cable News service.

Turner has indicated, however, that discussions have also taken place with other possible investors in CNN, including Time Inc, Gannett and Mr Rupert Murdoch, the Australian-born media businessman.

THE LEX COLUMN
Megamergers a la mode

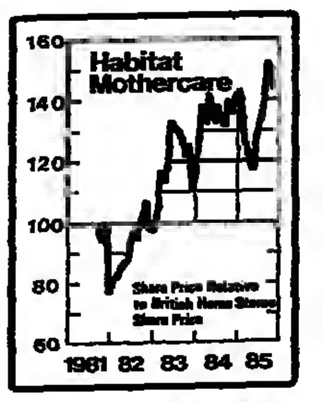
If every company on the London Stock Exchange were to announce one Monday morning that it had just agreed a merger and was thrilled to bits about it, there is no telling where the All-Share Index might finish the day. There was precious little to link yesterday's two merger statements – except perhaps a belated recognition that the devil you know is better than Lord Hanson – but the stock market was ready to give everyone concerned the benefit of the doubt.

The market capitalisation of the four companies involved rose by an aggregate £280m and helped the London equity indices to fresh heights. But the events of the day probably said as much about current management attitudes to agglomeration as they did about stock market fashions. It is most unlikely, for example, that United Biscuits, Imperial Group or British Home Stores would have been seen dancing in the aisles this time last year. Indeed, as recently as April, BHS held extensive merger talks with Habitat Mothercare and then thought better of the idea.

UB, Imps and BHS all have compelling defensive reasons for agreeing a merger. And even Habitat, which has always found that the excitement generated by deals helps to support its rating, might have reckoned that a merger with BHS would divert attention from the steady but unspectacular progress being made in some provinces of its retailing empire.

An agreed transaction must be greatly preferred by all four companies. For one thing, it lengthens the odds against a really hostile bidder. But, with the equity market at its present level, an agreed deal is also much easier to vindicate. Even Sir Terence Conran would have been hard pressed to justify paying a substantial premium for a retailer which was already trading on a multiple of almost 3½ times book net worth. As it is, he secures effective management control without a premium.

Of the two propositions, Habitat/BHS offers the greater commercial logic. Like Mothercare before it, BHS is an efficient retailer with a reputation for strong financial and distribution controls. What it lacks is a clear sense of direction an the flair for product design and consistency which characterises the new retailing generation. BHS has already spent heavily on its properties and that investment – ranging up to £80 per square foot – will only produce a proper return if the addition of merchandise can lift sales from the current £200 per square foot to something like the £300



achieved by the star non-food retailers.

The BHS product range overlaps with Habitat Mothercare and Richard Shops, so BHS should be able to pep up its merchandise faster than it could have on its own. But Conranisation is no guarantee of success. BHS will be meeting a revitalised Marks & Spencer head on, and its property portfolio is not of a consistently high quality. The Habitat Mothercare earnings multiple is discounting annual profits growth of about 25 per cent – broadly what it produced in yesterday's interim results – and that rating is now being transferred to the combined group. The pro forma prospective earnings multiple is almost 22 and BHS will need to work very hard to justify that number.

A deal with BHS is much more appealing to Habitat than a 20 per cent option over Debenhams, so yesterday's announcement may make it even less likely that the option is exercised. It admittedly now looms less large in the combined group – and so would be less of a stretch – but Habitat may prefer the development of the J. Sainsbury relationship which BHS brings to the less certain pleasure of a piece of Debenhams.

Imperial/United

Shareholders in United Biscuits and Imperial Group have alike been looking for a takeover, with more or less enthusiasm and for some time past; a merger of the two must have been about the last thing in anybody's ideal scheme of things. Yet the response of the stock market to yesterday's announcement of talks was perversely positive, adding nearly £200m to the combined market capitalisation.

Undeniably defensive in inspiration, the merger proposal has several rum aspects. Although United may have been feeling hot breath down its neck in recent weeks, to merge with Imperial is a fairly drastic form of protection against unwanted bidders, perhaps from the US. While Imperial may have come increasingly to feel that the proceeds of its long delayed HoJo disposal might finally bring in the equally long-awaited bid, jumping into the arms of United seems a trifle precipitate; Imperial only received the cash yesterday morning.

A reduction in its reliance on tobacco has been a cornerstone of Imperial's strategy for years; that as one reason for buying HoJo in the first place, as well as thinking about joining in the IXL-sponsored breakup of Allied-Lyons. Swamping itself in snack lines and fast-food restaurants, Imperial is only following the current US fashion, as exemplified by Reynolds and Philip Morris, each of which has recently plunged into the branded-food business.

Although US-style product-liability actions are not an immediate threat in the UK, the trend of the UK cigarette business is not exciting; the merger would reduce the group tobacco profits to less than a third of the whole, and Imperial shareholders, at any rate, ought to be enjoying a slightly faster rate of earnings growth. It would also take Imperial back into the US, but perhaps the exchange of HoJo for a place in the great cookie war is of doubtful benefit.

The advantages for United are less easy to assemble. Although Imperial's group management has attracted few bouquets in the recent past, its food division is conceded by the UK financial institutions and the industry to be tolerably well run. So the gains will be those due to increased scale and market power, perhaps not great in relation to the already large size of the existing businesses; but the more they are advertised, the more they are likely to attract the interest of the Office of Fair Trading.

When Nabisco took over Huntley & Palmer in 1982, the Monopolies Commission saw dangers in any further concentration of the snack market, of which the new company would have close on 50 per cent.

In marking up United yesterday by almost 10 per cent to 203p, the market was saying that Imperial's need was the greater. The posting of banns is not necessarily calculated to deter other suitors from putting in a bid for Imperial; it may be just the provocation needed to flush them out. And Imperial has long been a company where the parts have looked at least as valuable as the whole. When the crumbs have been swept together, the same would likely be true of this combine.

Palestinian faction blamed for hijack

Continued from Page 1

horrifying events before the storming of the airliner during which passengers were forced to kneel with their hands tied behind their backs before being shot and thrown on to the tarmac.

Captain Hani Hilal, the pilot of the aircraft, said the leader of the hijackers sang and danced each time a passenger was shot. He added that American and Israeli passengers had been singled out for execution. "The only hope was the storming of the plane," he said.

There are believed to have been more than 90 people on aboard the aircraft when it left Athens. Maltese authorities have issued a list of 30 wounded, two of whom are Egyptian commandos.

Maltese authorities have not yet issued a complete list of those killed.

Habitat agrees £1.5bn merger

Continued from Page 1

sions" about a merger last April without reaching any conclusion but resumed talking seriously at the beginning of November.

Mr Denis Cassidy, BHS managing director, said: "Over the past two years we have been looking at the future of retailing and looked at acquisitions and mergers alongside organic growth. Whichever way we turned the cube round, we found at the top Habitat Mothercare."

Sir Terence commented: "This is a true and amicable merger agreed in the best spirit. We saw real opportunities for the future."

The two companies will create a new holding company which will acquire their shares at the rates of one for every BHS share and 138 for every 100 Habitat.

It would bring together companies with a combined stock market valuation of £1.52m. Shareholders of BHS would have a 55 per cent stake in the new company, reflecting BHS's higher market valuation, while Habitat shareholders would have 45 per cent.

Sir Terence will become chairman and chief executive of the new holding company with Mr Cassidy as deputy chairman and managing director. The rest of the new company's executive board will comprise three Habitat directors and three from HBHS.

The spate of mergers and takeovers in the retail sector and recent speculation that BHS might be the subject of a bid had combined to put some pressure on it to find a partner.

Habitat has advised BHS on product design in recent years but the merger is expected to bring a further injection of Sir Terence's design flair. The two groups' stores will retain their identities, however.

The combined group will have increased buying power with its suppliers and the scale of its operations will allow more experimenting with new businesses and markets. Habitat may expand further overseas while BHS could develop its financial services and home shopping.

Goldman Sachs 'to hire senior UK economists'

By John Moore in London

SENIOR ECONOMISTS at British stockbroker Simon & Coates are poised to move to the London operations of the US investment bank, Goldman Sachs. Mr Gavyn Davies and Mr David Morrison, who are the chief economists at Simon & Coates, are expected to move shortly to the US bank.

The departures will mark another important personnel upheaval in the financial services revolution in London.

Mr Jeremy Hale, another member of the Simon & Coates economics team, one of the most influential group of economic analysts in the City, is also expected to move to Goldman Sachs.

In a recent survey of fund managers who were asked to provide their opinions of the quality of research among stockbrokers, Simon & Coates were ranked second – with Phillips & Drew first – for analysis of the UK economy and forecasting. Mr Morrison and Mr Davies were ranked first for analysis of currency movements and forecasting, with Phillips & Drew in second place.

Final details of the move of the three men are in the process of being settled, but talks have been in progress for some time.

Unlike many of the key staff movements taking place in the City, it is believed that the three men will not be receiving a transfer fee or "golden hello" but the salary levels are likely to be competitive.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	11	52	Dubrovnik	S	13	55	Malaga	S	13	55	Salzburg	Sn	1	34
Akrotiri	F	19	66	Faro	C	15	59	Malta	—	—	—	Seoul	F	5	41
Algiers	C	15	59	Florence	S	10	50	Manila	S	32	90	Singapore	F	31	88
Amsterdam	C	4	39	Frankfurt	Sn	1	34	Miami	S	26	79	Stockholm	Sn	-2	28
Athens	S	17	63	Funchal	S	21	70	Milan	F	5	41	Strasbourg	S	1	34
Bahrain	S	30	86	Geneva	C	0	32	Moscow	R	-7	19	Sydney	R	21	70
Bangkok	S	31	88	Gibraltar	S	14	57	Munich	Sn	-2	28	Taipei	F	20	68
Barcelona	F	9	48	Guernsey	S	5	41	Nairobi	—	—	—	Tangier	—	—	—
Beirut	—	—	—	Helsinki	Sn	-3	27	Naples	F	14	57	Teheran	—	—	—
Belgrade	C	4	39	H. Kong	F	20	68	New Delhi	S	26	79	Tel Aviv	S	22	72
Berlin	F	1	34	Innsbruck	F	-1	30	New York	R	12	54	Tenerife	—	—	—
Biarritz	F	5	41	Inverness	C	4	39	Nice	C	11	52	Tokyo	S	13	55
Blackpool	F	5	41	Istanbul	S	17	63	Oporto	C	11	52	Toronto	C	1	34
Bordeaux	C	3	37	Jersey	C	4	39	Oslo	F	1	34	Tunis	F	15	59
Brussels	C	1	34	Jo'burg	S	29	84	Paris	C	0	32	Valencia	C	12	54
Budapest	C	4	39	Las Palmas	C	23	73	Prague	Sn	-1	30	Venice	S	7	45
B. Aires	C	29	84	Lima	S	21	70	Reykjavik	S	-3	27	Vienna	Sn	0	32
Cairo	S	23	73	Lisbon	D	9	48	Rio de J'o	C	36	98	Warsaw	Sn	0	32
Cape Town	S	25	77	Locarno	S	6	43	Rome	S	11	52	Zurich	C	-1	30
Caracas	C	29	84	London	C	5	41								
Casablanca	—	—	—	Los Angeles	F	15	59								
Copenhagen	S	3	37	Luxembourg	C	0	32								
Corfu	S	16	61	Madrid	F	4	39								
Dublin	F	5	41	Majorca	C	10	50								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Steinberg backs off

MR SAUL STEINBERG, a leading US corporate raider, yesterday withdrew his plans to buy up to 20 per cent of the shares in Mercury Securities, the parent company of S.G. Warburg, one of the UK's leading merchant banks, writes Clive Wolman in London.

On Friday, Mr David Scholey, Mercury chairman, and Lord Garmoyle, vice-chairman went to New York and met Mr Steinberg.

Mercury's share price fell 7p yesterday to 713p. Earlier this month the share price soared from less than 600p as Mr Steinberg built up and disclosed a 9.9 per cent stake in the company.

Last week there was an angry exchange between Mr Steinberg and Mr Scholey, after Mr Steinberg raised his stake to 10.7 per cent and said he intended to increase it to 15, possibly 20 per cent.

The agreement announced by both parties yesterday is that Mr Steinberg's privately owned Reliance group and its affiliates will limit their total holdings to less than 10 per cent of the share capital of Mercury International Group.

That company will be formed by the merger of Mercury Securities, the leading partner, stockbrokers Rowe & Pitman and Mullens & Co, and jobbers (market makers) Akroyd & Smithers.

SECTION III

FINANCIAL TIMES SURVEY

Deregulation is making Italy's banks more competitive and the Milan bourse, boosted by inflows from newly formed unit trusts, has been much in favour with foreign fund managers. Corporate alliances and power struggles are creating profound changes in finance and industry, but the Government has yet to tackle the economy's most serious problem, runaway domestic spending

ITALY

BANKING, FINANCE AND INVESTMENT

Despite repeated warnings by Dr Carlo Ciampi, governor of the Bank of Italy (right), regarding the public sector deficit, the five-party coalition led by Mr Bettino Craxi (left) has shown no inclination to take action on the problem.

Private virtues, public failings

By Alan Friedman

THESE are exciting times in the world of Italian banking and finance. The country's 90 per cent state-controlled banking system is finally starting to understand the need for genuine competition and has been nudged toward greater competition by important dergulatory measures.

The Milan bourse is enjoying a boom and is trying to transform itself from a provincial club for insider trading into a more serious and transparent stock market.

Meanwhile, a series of major corporate alliances and power struggles are creating profound change in the structure of private sector financial and industrial power.

As exciting as these changes are, there are dangers ahead: despite its no-nonsense image abroad the five-party coalition government, led by Mr Bettino Craxi, has after twn years in office shown no inclination to come to terms with the Italian economy's most serious problem—runaway public spending which will this year result in a record L119,000bn ($68bn) public sector deficit, equal to 17.5 per cent of the country's likely 1985 gross domestic product (GDP) of around L679,000bn ($387bn). That is more than three times the relative level (debt-to-GDP) of even the controversial US budget deficit.

The Italian Treasury, worried about the need to issue reams of Government bonds to finance the deficit, appears to take a short-term view, namely that of hoping that lowering interest rates will simply reduce the cost of funding the deficit.

The Bank of Italy, which repeatedly points ont that nearly two-thirds of the deficit is represented by interest payments on a cumulative national debt (L646,000bn) which will soon be larger than the nation's GDP, wants public spending cuts which will get at the real issue, cutting the deficit net of interest payments.

Dr Carlo Ciampi, the highly regarded governor of the Bank of Italy, has made so many tongh speeches recently warning of the peril of the state deficit that he is beginning to sound hoarse. The central bank in Rome—one of the few institutions in Italy which is not part of any political party's personal fiefdom—is beside itself with frustration.

Not only are governor Ciampi's frequent warnings virtually ignored by politicians, whose main interest is jockeying for power among themselves, but the central bank's ability to run an effective monetary policy is gravely hindered by the fact that something like two-thirds of Italy's liquid financial assets—the tax-free Treasury and Government bonds known as BOTS and CCTS which are sold directly to the pnblic—is beyond its sphere of influence. As long as this is the case, the deficit will keep Italian interest rates well above the level of other European nations, which can only damage prospects for economic growth.

Academic and political polemics rage over the issue of the M2 money supply (made up of bank deposits, postal deposits and currency). For example, did the fact that the Treasury last January and February tapped a L8,000bn credit line from the central bank lead to the M2 explosion which has thrown off all forecasts about the 1985 growth in the money supply?

It hardly matters because this issue ignores the real question—will Italy's political leaders, who for the past generation have provided Europe's most generous welfare spending in order to jockey for votes, ever really tackle the issue of public expenditure?

The signs are not encouraging. Not even this past summer's devaluation of the lira, made necessary by a 1985 trade deficit which is heading for a record L30,000bn, brought about concrete and significant spending cuts.

Instead of the real package of cuts which Mr Craxi, governor Ciampi and Mr Giovanni Goria, the Treasury Minister, are understood to have planned for last July, the result was a watered down cosmetic package which has yet to be approved by Parliament.

Fortunately, other factors at play have meant that the damage of the deficit to Italian industry has been contained this year. Italy, generally a year or two behind the economic cycle of its main trading partners, has enjoyed a compound GDP rate of growth of 2.5 per cent in the past two years. Private sector credit demand has been down this year not because of crowding ont by the state, hut because a healthy rise in corporate profitability has allowed many companies to fund projects from cash flow. Falling oil and other raw material prices, and the recent relative weakening of the US dollar, are working to Italy's advantage, even if domestic demand is fuelling imports of consumer goods.

Thus the 1985 current account deficit, forecast at around L12,000bn, might well be halved in 1986. At least that is the intention of the government planners in Rome.

There is still more evidence of private virtue (notwithstanding public vice) in the Italian economy: The banks, taking advantage of a series of deregulation measures over the past 18 months, are finally beginning to compete. The most important of the moves was the decision in 1983 to relax constraints on individual bank lending, to remove the corset on both volume and type of loans. The result is real competition among banks on loan rates, a competition also fuelled by the relative lack of credit demand.

Italian banks still need to compete mueb more actively and this message was pounded home earlier this month when Dr Lamberto Dini, director-general of the Bank of Italy, spoke of the need for an "acceleration" of the transformation of the Italian credit market.

Dr Dini called for greater transparency in accounts, more financial disclosure and more innovative behaviour in terms of financing industry, aiding new companies and nperating internationally.

The new unit trusts, authorised in legislation in late 1983, have attracted a total of US$8.8bn in funds from individual investors in the past year. More than half a million Italians, restricted by exchange controls to putting their money either into bank accounts or government bonds, have found a new tool which provides a tax free capital gain if distributed as income.

The flood of funds into a bourse which has only 180 quoted companies — of which less than 30 are actively traded—has created a bull run which has made the Milan bourse flavour of the year among foreign investors as well.

Fund managers from the City of London, Wall Street, Frankfurt, Tokyo and other financial centres control about five per cent of the bourse, which is capitalised at US$51bn, as compared to a market total value of US$28bn at the start of this year.

The demand side of the equation is such that new issues tend to be snapped np within minutes of the opening of subscriptions and the capital gains this year have been phenomenal. How long can the boom continne? Some old hands worry about a crash, based nn the experience of 1981, when trading was on account rather than in cash.

However, conversations with both Italian and London-based fund managers suggest that the Milan bourse should be cushioned by the inflow of new funds for at least another six to twelve months. Mr Carlo de Benedetti, the Olivetti chairman who also controls a personal industrial empire, says it would be desirable for the hoom to slow. But he explains that "you can't stop demand, so the

CONTINUED ON NEXT PAGE

The Italian Economy

	1980	1981	1982	1983	1984	1985*
Public sector deficit (lire bn)	37,500	53,595	76,529	91,525	102,471	119,000†
Prime rate (annual average %)	19.93	22.13	21.54	19.10	17.7	16.6
GDP growth (%)	3.9	0.2	−0.4	−1.2	2.6	2.4
Inflation (annual average %)	21.2	17.8	16.5	14.7	10.8	9.2
M2 money supply growth (%)	12.7	9.9	16.9	13.3	11.8	14.3
Credit to private sector (% growth)	16.3	13.5	13.4	13.1	15.3	9.3

* Estimates based on data at end of September. † The 1985 estimated deficit was originally L106,700bn but the Bank of Italy disclosed recently that this figure did not include an extra L13,000bn of bridging finance from banks which provided cash in exchange for bonds.

Source: Bank of Italy.

Deregulation sharpens competitive edge

Structure of the Banking System

ALAN FRIEDMAN

FINALLY — after years of rbeteric and little else—Italy's lumbering and 90 per cent state-controlled banking system is waking up to the idea of gennine competitien. For the outsider, uninitiated in the bureaucratic and, at times, eligopelistic nature of the big state banks, the changes underway may seem small but the result of what may be called "deregulatien—Italian-style" is that banks are actually attempting to win customers, with competitive interest rates en loans.

They are also busy launching recently autherised unit trusts te offer savers a new option which is more attractive than deposit rates.

It would be wrong to exaggerate: the changes inside the traditionally lethargic Italian banking system must be seen in relative rather than absolute terms. Nenetheless, the frequent calls by the Bank of Italy, by the Confindustrio empleyers' associatien and by industrialists for more competition on the part of the banks is no longer falling on deaf ears.

Fer many years the very structure of the banking system and of the regulatory provisions which have geverned it have inhibited any move toward real competitien. Italy has 1,096 separate banking institutions, ranging from the smallest *Casso Rurale* or rural bank to the big three natienal interest banks.

There ere 691 rural banks, mony being one-branch affairs. Then there is a variety of co-operative, savings, artisan'o credit institutes and other banks. In all there are 12,965 branches in the country.

The top management of some banks may well be appointed on the basis of what the Italians call the *Tessera* or political affiliation. But it has to be said thet the senior executives of the three banks of national interest—Banca Commerciale Italiana, Credito Italiano and Banco di Roma—or at other big state banks such as Banca Nazionale del Lavoro are highly regarded professionals.

Last year bank profitability took a giant leap forward with many net profit levels virtually deubled. Tbe net profit levels, however, do not reflect real profitability—in the case of Cariplo, the biggest savings bank in Italy, the operating profit was more than seven times the size of the net figure.

The most important development which bas begun to change the behaviour of banks has been o series of deregulatien measures, whicb while nothing like the revolution in financial services taking place in tha US er Britain has nonethe-less been highly significant.

The lifting by the Bank of Italy, in two stages between June 1983 and January 1984 of individual credit restrictions en banks bas been the key measure which has encouraged competition. Controls were relaxed on lending both in tarms of volume and type of loans.

This removal of Italy's version ef the corset, together with a later decision to allow banks to set their own prime rates instead of moving them altogether, has prodnced more than doubled loan growth in the past two years.

One can now find real competition among banks, especially as corporate profitability this year has been such that many companies have made use of cash flow rather than bank loans te fund new investments. A good name borrower can generally borrow et e rate of interest between 0.5 and 1.5 per cent below the prime rate, now running at between 15.5 and 16 per cent.

Smaller companies may still end up paying as much as 20 per cent for a bank credit, but the need to compete on rates is beginning to change the way bankers approach the business.

Another deregulatory move bas been the gradnal reduction of obligations formerly placed on banks to invest a certain proportion of their deposits in public bond issues.

One of the most important changes — which incidentally finally brings Italy into line with EEC guidelines dating back te 1977 — has been a relaxing of stringent central bank rules en the opening of new bank branches. Whereas in the past banks were ferced to keep certain branches epen even if they saw mere lucrative prospects in anothar city cr regien, there is now greater freedom.

Likewise, foreign banks have been given greeter freedom ef maneuevra in Italy, although there are still only 34 foreign institutions in the country. The ecquisition this year by Citicorp of majority control of the Banca Centro Sud, a state-controlled 43-branch bank operating in the south and with close to $1bn of deposits, was the first time e foreign bank bad been allowed to purchase an entire branch network in Italy.

It will have the effect of increasing the number of branches in Italy controlled by foreign banks from 54 to 97.

Among other changes in the regulatory environment there is a recently introduced ruling which allows fer the first time groups wishing to incorporate as new banks to come forward with applications. As of last month, wben this permission was granted there were 20 potential new banks waiting for review.

The new move is o result of a law passed last March, and is another example of Italy finally conforming to EEC guidelines which were set ont in 1977.

Italian banks have also been told they will have greatar freedom in opening foreign operations. Although the Bank of Italy is ot the same time imposing greater supervision over foreign branch operations. This of course reflects the lesson learnt during the nightmare of the Banco Ambrosiano affair. In any case only 14 Italian banks have substantial overseas operations: they have 77 foreign branches while there are also 132 foreign represeotative offices operated by o total of 52 banks.

Another important reform is the likely introduction, in the next few menths, ef Italy's first ever depositors' insurance fund.

While the atmospbere is becoming more competitive as a result of these deregulatery measures, there is still much work to be dene if Italy wishes te develop a more sophisticated financial market. The amazing growth of unit trusts is certainly an important stimulus, as are attempts by the Consob stockmarket authority to modernise the bourse.

But tha idea of nurturing merchant banks has been slow in getting off the ground and legislation which would open the way has still te be approved.

The only real merchant bank in Italy is Mediobanca, the Milan-based institute which bas been at the centre of a serious power struggle between the IRI stata bolding group which is a majority shareholder and a small band of private sector minority shareboIders who have been Mediebanca's main clients for the past generation.

Sige, an investment banking arm of the IMI medimum-term credit institute, is perhaps the most active and innovative competitor to Mediobanca, while e number of smaller operators such as Euromobiliare and Mr Jody Vender'o SOPAF act on a lesser scale.

While competition for corporate clients is certainly hotting up, structural problems still keep retail banking at a poor level. The anomaly of retail banking in Italy is that the country's Bancomat nationwide cash dispenser network is highly advanced and probably ahead of the rest of Europe in that it connects bundreds of different banks and thousands of branches. Bnt walk into a bank in any part ef Italy and the service given to the humble personal customer is still frequently oppalling.

As bankers will confide privately, this is in part a function of the foct that *Impiegati* or bank clerks, are lowly-paid civil servants far removed from the new spirit of competition which their senior directors find so convenient to refer to ot large conferences and seminars. Ironically, many clerks are underemployed: most banks are overstaffed and could not reduce their employee numbers without serious political problems.

What outsiders to Italy sometimes find hard to oppreciate is that notwithstanding the very real frusrations one can encounter, change is occurring, and more is coming. Despite its in-built problems the banking system remains the mainstay of Italian finance.

What is more, it works remarkably well compared with five to 10 years ago, and its guiding lights are working quite seriously to foster a more efficient and competitive environment. What is needed most of all to reach greater efficiency is time.

The Italian banking system, nudged along by a series of important liberalisation measures over the past few years, is finally beginning to approach the loan market with a more competitive spirit.

Italy's Top Ten Banks

(Lire bn)

Bank	Total assets 1984	Total assets 1983	Net profits 1984	Net profits 1983
Banca Nazionale del Lavoro	78,430	64,235	150.3	245.3
Banca Commerciale Italiana	64,935	51,606	91.2	55.7
Credito Italiano	48,822	40,228	89.0	42.4
Banco di Roma	43,625	34,960	40.0	34.6
Istituto Bancario San Paolo di Torino	43,512	35,850	120.1	103.6
Cassa Risp. Prov. Lombarde	38,695	34,082	90.8	35.9
Banco di Napoli	37,418	30,903	12.7	8.5
Monte dei Paschi di Siena	32,993	27,421	61.2	24.9
Banco di Sicilia	24,588	20,829	18.5	13.3
IMI Istituto Mobiliare Italiano	21,680	21,790	142.2	144.7

Oource: Il Mondo ranking of top 800 banks.

Profile: Mario Monti

By Alan Friedman

Man of many talents

ACADEMIC, bank economist, member of the board of Italy's second largest bank, leading newspaper commentator and a man once called in to discuss economic theory with Mrs Thatcher . . . Mario Monti is certainly a man of many talents.

The 42-year-old Professor Monti is best known as one of Italy's leading economists and a don at the distinguished Bocconi University in Milan, where he is also the director of the institute of economics and the centre for monetary and financial economics. He is known in Italy as something of a monetarist, but prefers to describe himself as "eclectic," as befits a monetary theorist who is also a former student of James Tobin at Yale.

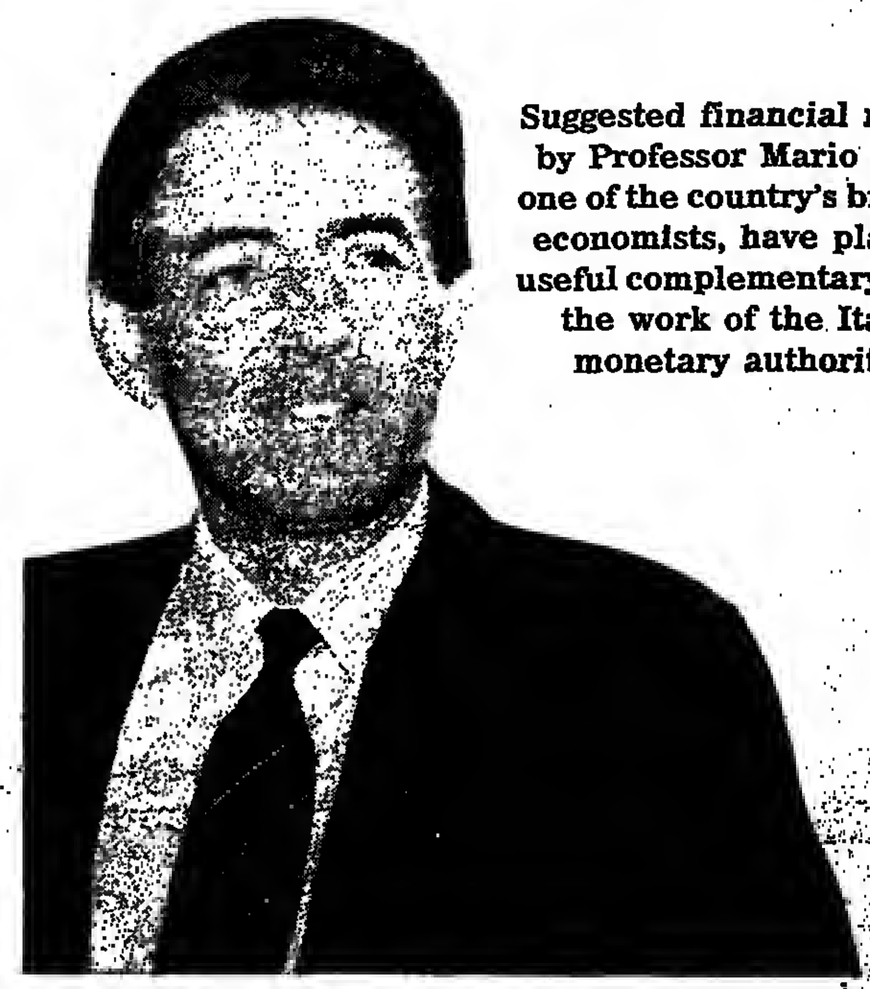
In Italy Professor Monti's work as chairman of the committee to review banking ond the financial system (1981-1982) helped publicise a number of important recommendations for reform. These ranged from lifting the Italian version of the "corset" on bank lending to the idea of developing a depositors' insurance fund in the wake of the Ambrosiano affair. While it would be misleading to say that these changes were implemented as a result of the Monti group, his views have certainly been followed with more than casual interest in Italian financial circles.

Aside from teaching students at Bocconi, organising numerous symposia and writing an impressive array of scholarly and journalistic commentaries, Professor Monti is also economic adviser to Banca Commerciale Italiana (BCI), the second largest bank in Italy which is controlled by the IRI holding group. Since 1983 he has also been a member of BCI's board of directors, thus firmly establishing Monti in a quasi-private and quasi-public policy role which in the US is referred to as "prac-ademic."

Among the scores of young men and women working in Italian industry and finance you will find many disciples of Professor Monti, who admits that teaching basic economics is sometimes a trifle boring. "But in a sense it is also interesting because of the influence one can have in forming economic views," he adds.

Outside Italy Professor Monti takes part in the Bilderberg meetings (he is a member of the steering committee) and the Trilateral Commission. He is a member of the macroeconomic policy group established by the Commission of the European Communities and has just completed a three-year term as president of the Societe Universitaire Europeenne de Recherches Financieres (SUERF).

Sadly all these activities leave little time for Professor Monti's personal interests, which aside from spending time with his wife and family include cycling and listening to short-wave radio. Once in a while, however, like all good Milanese, he escapes for a weekend to his country house on the shores of Lake Maggiore.



Suggested financial reforms by Professor Mario Monti, one of the country's brightest economists, have played a useful complementary role to the work of the Italian monetary authorities.

Private virtues, public failings

CONTINUED FROM PAGE ONE

thing to do is to create more supply." He should know—at the eed of 1985 Mr de Benedetti will, ene way er another, have tapped the market for more than $400m.

Dr Nerio Nesi, chairman of Italy's largest bank—Banca Nazionale del Lavoro—said recently that unless banks learn to compete mere they will find themselves "stranded on the high seas" and facing ever more serious competition from fereign banks.

Dr Nesi's bank, BNL, is shertly to lounch the biggest single sale of state assets to the private sector so for, with a L460bn ($262m) sale ef 25 per cent ef the state-owned bank en the Milan bourse. The trend toward partial privatisation ef Italian banks and state companies is among the mest significant develepments in Italy this year.

It is not, as in the UK, a co-ordinated government policy, but rather an attempt by the huge state helding companies te raise cash in erder to reduce debt, taking advantage ef the boeming stock market and interest in Italy from fereign investors.

Thus the partial privatisation ef Banca Commerciale Italiana (BCI), the second biggest Italian bank, which is part ef the IRI group, envisages the placing of around £50m werth of shares with institutiens in London. S. G. Warburg, probably the most active fund manager in the City of London when it comes te Italy, has a key role in the BCI placing.

The trend toward privatisation is part of a larger developmeet in Italian finance: For tbe first time the equity market is sbowing signs of acting as a real source of capital for cerporate Italy. Since last January the BCI share index on the Milan bonrse has risen by 80 per cent, driven by fresb demand which is, in turn, a result of two factors: the growth of new unit trusts and the growth of foreign investment in Italian shares.

Mr de Benedetti, along with ethers, peints out that the unit trusts bave creoted a kind of invest-aed-boom cycle on the bourse: "The unit trusts are each month buying shares and each month the bourse gains 3 or 5 per cent. So each month the fund managers go back to investors and tell bow well they have done. People see the growth and invest more and so on."

Away from the bourse, Mr de Benedetti has been one of the protagonists in the redrawing of the map of private sector power in Italy. He recently forged a new financial alliance with Pirelli, which has invited him into the control syndicate of its ultimate bolding company, and is meanwhile buying a stake of Mr de Benedetti's own holding company.

The change in the structure of financial power in Italy bas its less pleasant sides: The question of who will control the Montedison chemicals group has seen private and public mud-slinging by some of Italy's most powerful businessmen. So has the power struggle over the control and future of Mediobanca, Italy's only real merchant bank which has been majority state-owned for the past 39 years but has served the interests of a small private sector elite.

When the dust finally settles on all these typically Italian power struggles—and that could take another year or more—the ownership of corporate Italy will probably be marginally less eligarcbical. But in the end the change, as changes tend to be in the birthplace of Macchiavelli, will undoubtedly be far more relative than absolnte.

Question over ENI's motives

Black Friday: Devaluation of the Lira

JAMES BUXTON

IN ITALY, July 19 1985 is called Venerdì Nero—black Friday. Within a matter of an hour on that day two disasters struck the country. In the Alps a dam burst, unleashing a surge of water and mud that swept away hotels and drowned more than 200 people. In Rome the lira dropped nearly 20 per cent against the dollar, forcing the Government to close the foreign exchange markets.

The basic facts about the crash of the lira are now well known. But it is still not clear why ENI, the state energy group, behaved the way it did, when it went ahead with a big order for dollars against the advice of the Bank of Italy.

On the evening of Thursday, July 18, Mr Bettino Craxi, the Prime Minister, Mr Giovanni Goria, the Treasury Minister, and Dr Carlo Ciampi, the Governor of the Bank of Italy, took the decision to seek a devaluation of the lira within the European Monetary System at the weekend. They did this in view of Italy's deteriorating balance of payments position. It was Dr Ciampi's intention to tell Italy's partners in the EMS what it wanted to do when the European markets closed on Friday afternoon.

The information was naturally highly confidential indeed. Dr Ciampi did the calculations for the currency realignment himself.

The news was, however, conveyed by Mr Craxi and Mr Goria to a meeting of the leaders of the ruling coalition parties on Friday morning, and there were some signs that trading on the foreign exchange markets that morning was affected by rumours thet a devaluation was imminent. At midday the Deutsche Mark stood at L650, three points down on the day before, and the dollar at L1,868-69.

At 11.30 that morning Mr Mario Gabbrielli, finance director of ENI, ordered the head of his Treasury department, Mr Vittorio Plaja, to buy $125m that day, to pay off a loan which was falling due on July 24. Mr Gabbrielli was in Milan and Mr Plaja at a board meeting in Monte Carlo. Mr Plaja told Mr Petracca, at ENI's beadquarters in Rome, to deal with the metter.

Mr Petracca told the Bank of Italy of ENI's intentions et about 12.30. He was swiftly rung back by Mr Fabrizio Saccomani, the bank's head of foreign exchange, wbo told him that the bank could not supply the dollars to ENI outside the foreign exchange market and asked ENI to postpone the operation to Monday, July 22, since ENI did not need the money that day.

Mr Petracca told Mr Plaja, wbo tried to get in toucb with Mr Gabbrielli. But by this time Mr Gabbrielli was travelling and could not be reached. Mr Plaja ordered Mr Petracca to go ahead with the operation anyway, in the beliaf that whatever happened the Central Bank would not let the dollar go ebove L1,908 since at this level it would have to intervene on the lira's parity with the EMS currencies.

At 1 pm Istituto San Paolo di Torino, the leading Turin bank, told the Bank of Italy it bad been asked to buy $125m by ENI. The bank told San Paolo that it could not supply the dollars outsida the market and asked it to confirm the order with ENI. On the Rome and Milan stock markets the usual daily foreign exchange "fixing" of 1.15 pm was beld up as San Paolo got back to Mr Petracca.

Mr Petracca did not succeed in making contact with either Mr Gabbrielli or Mr Plaja (the latter now at lunch) and confirmed the buying order. The Bank of Italy did not intervene et the start of the fixing and the dollar started to soar.

Eventually the Bank of Italy intervened, selling $116m to stop the Italian currency's fall—a very small part of this amount was supplied by the market—and the rate stabilised at L2,200. The Deutscbe Mark was fixed at L664.7 near tha bottom of its fluctuation, and at a rate that did not correspond to the dollar-lira parity. The dollar had fallen 17.7 per cent.

The Bank of Italy immediately told Mr Goria, the Treasury minister and he ordered the closure of the foreign exchange markets. Italy told its EMS partners and at the weekend the central lira parity in the EMS was devalued by an effective 8 per cent.

The affair caused not just national embarrassment, but a political row. Both Mr Goria and Dr Ciampi offered their resignations to Mr Craxi, wbo rejected them. Mr Goria then prepared a 38-page report on the affair which is unusually clear and forthright.

It states that the Bank of Italy was caught in a dilemma between its two principal objectives, to prevent speculation and to preserve orderly markets. Had it been prepared to meet ENI's request for dollars it would, it believes, have been assisting ENI to make what the bank knew would be e profit on the imminent devaluation of the lira.

But it could not stop ENI from going ahead with its purchase (by means, for example, of Dr Ciampi warning Professor Franco Reviglio, ENI's chairman, direct) without acting in a way that would bave been improper and might have given the game away.

If the Central Bank had supported the lira against the dollar by ecting on tha cross-rates with the other EMS currencies, it could have ended up spending bundreds of millions of dollars of its reserves in order to give a lot of market operators speculetive profits. In the end, the Bank of Italy can take credit for staging a currency realignment at the right moment without losing a substantial part of its reserves.

But wbat was ENI's role in the affair? Mr Gorie's report is blunt: "The finance department of ENI," be says, "at least from a certain phase in the affair, appears to have been acting on the bypothesis of an imminent devaluation of the lira." In other words, he says, "it was speculating."

ENI insists that Dr Gebbrielli obtain the $125m as soon as possible because the dollar had been rising in tha past day or two.

Mr Goria says that the key fact in the affair was Mr Plaja's decision to press ahead with the operation even wben the Bank of Italy had advised against it. Mr Plaja knew by that stage, the report says, that the dollar would go up on the Italian market as a result of the ENI operation and not because of the international trend of the U.S. currency.

"In other words, the essential element in the success of the operation had shifted from being the rise of the dollar to the weakening of the lira," tha report says.

ENI also believed that the Bank of Italy would intervene to stop the dollar going up when it reached L1,908, equivalent to the ceiling of the lira's fluctuation band with the EMS.

Mr Goria argues that if the L1,908 ceiling were to have been hit without a devaluation following, it would have been reasonable to suppose that the Central Bank would, on Monday, have brought the rate down again—thus making it a bad deal for anyone to buy dollars at L1,908.

"The success of ENI's operation could be guaranteed only by a big revaluation of the dollar against the Deutsche Mark on the following Monday, or by the devaluation of the central parity of our currency. Whether or not the hypothesis of devaluation was present at the time of the original decision of Mr Gabbrielli, it must have been taken into account by Mr Plaja when be confirmed the order, after receiving the Bank of Italy's advice," the report says.

ENI was deeply offended when Mr Goria's report was published in September. It recently produced its own report, compiled by four independent experts. This rejects any question of speculation and says that ENI's motive was to act before the dollar went any higher. "Though without doubt there were signs that pointed towards a realignment of the lira in the EMS, this could not affect the decision as it is well known that a realignment does not immediately cause changes in exchange rates in proportion to the change in the central parities and can be irrelevant, or almost irrelevant with regard to the dollar," says the ENI report.

It puts the disaster down to: "Communications which did not work: and failure of organisation and procedures that hindered understanding and prevented warnings getting through: a series of unforeseeable misunderstandings."

The ENI report says that Mr Gabbrielli would have immediately cancelled the order to buy the dollars had be received the Bank of Italy's advice. Mr Plaja said that without a "written refusal" from the Bank of Italy it was not within his powers to cancel the order. Mr Petracca's position gave him no power to make decisions or to contact departments of ENI outside his own.

The ENI report concludes by saying that its procedures for making decisions in the foreign exchange field must be tightened up.

Under Mr Enrico Cuccia (right), Mediobanca has maintained its near monopoly of significant corporate finance activity in Italy. Its position of power has remained almost untouched by the growth of such investment banks as Euromobiliare, founded by Mr Guido Vitale (left) in 1972

Drive towards corporate finance

Merchant Banking

JAMES BUCHAN

THE most fashionable subject of conversation in Milan financial circles is merchant banking; or rather what will and should happen when a bill to regulate merchant banks in Italy passes into lew.

A recent seminar on the subject in Milan drew no fewer than 300 participants who listened with some curiosity to definitions of a merchant bank in the UK, an investment bank in the US and a French *banque d'affaires*.

If the seminar confused almost as mnch as it enlightened, it is because of the peculiarities of the Italian financial system. Italy lacks the effective capital markets of the UK and the US, let alone the quasi-universal banking system of France. As Mr Gianmario Roveraro of the IMI group put it: "The concept of merchant banking in Italy is a purely Italian one."

The chief point of interest is that the new law will permit the banks to hold equity participations for the first time for 50 years, but, apart from that, tbe banks are already providing many of the trade and corporate servicea associated with merchant banking and there is even a modest venture capital industry.

Mr Enrico Braggiotti, managing director of Banca Commerciale, says: "BCI is already tha biggest merchant bank in Italy without a law having bean passed." Prof. Giovanni Magnifico, chairman of the IMI group's Banca Manusardi, goes further: "The whole discussion sounds a bit comic—as if we were about to do something entirely new and unknown."

What is clear, however, is the tremendous interest from Italian and foreign bankers, from the monetary euthorities and soma industrialists for the development of corporate finance from tts present ruda state.

Italian companies of all sizes have tended to rely heavily on their banks for finance; but even high real interest rates have caused a reversion less to cheap equity than to internal cash-flow et a time of relatively higb corporate profitability. Small and medium-sized companies continue to prefer to borrow against existing assets from their banks rather than submit to scrutiny to gain the subsidised credit from the Mediocredito system.

Tbe Bank of Italy, traditionally regarded as quite content to see financial resources allocated by the banking system, gives every impression of concern et the health of highly-leveraged industry when money is expensive.

It would also like to see more corporate use of finance that does not swell its monetary aggregates. "What the Bank of Italy really means by merchant banking is a functioning equity market," a Milan broker said; or as Mr Roveraro said at the Milan seminar, a merchant banking law should balance the law euthorising unit trusts by providing the equity to meet the new demands. Meanwhile, the mixture of divestiture by state bolding companies and more aggressive acquisition policies by industry have revealed the shortcoming of the primary market.

This remains the fief of Mediobanca. Since its foundation in 1946, this "beating heart of Italian capitalism" has enjoyed a monopoly in all but name of significant corporate activity in Italy. Through its three bank shareholders (BCI, Credito Italiano and Banco di Roma) it enjoys unequalled placing power but, under Mr Enrico Cuccia, it has built e network of outside shareholders as well as industrial cross-boldings so as to gain a measure of independence of these banks.

These edvantages bave left Mediobanca's position all but untouched by the growth of such investment banks as Euromobiliare, founded by Mr Guido Vitale in 1972.

However, even Mediobanca has not been unaffected by the bull market in equities and the new international and institutional players in Milan.

The initial refusal of the three IRI banks to support an extension for Mr Cuccia, who is 78 and under investigation by a Rome magistrate, was one sign of muscle-flexing. Brokers and bankers regularly complain about what they call tha "Mediobanca mentality," which places a premium on secrecy. The allocation of the Milan end of the Benetton flotation to Sige, the investment banking arm of the IMI group, was another straw in the wind.

The new law is expected to permit the commercial banks—through merchant banking subsidiaries—to take equity boldings in industrial companies in the same way as Mediobanca.

This has been forbidden to the banks since the financial crisis of the early 1930s, when IRI was formed to take the banks' industrial holdings off their books.

The plan is for the banks to take minor stakes in companies, assist them in raising longer-term finance and nudge them towards the stock market. What will actually occur is another matter.

The five years of Italian venture capital does not provide a very encouraging precedent. Italian industry as a wbole remains very unwilling to opan ownership to outsiders: a full third of all Italian companies are single-family businesses.

High interest rates are a constraint in setting minimum rates of return from the equity investment; and for all the progress made in the equity market, such holdings will continue to be hard to liquidate. The cynics in Milan are already saying that the banks will not get beyond converting questionable loans into equity which the companies will then service by paying merchant banking fees.

Italian Banking and Finance 4

The Milan bourse. An important factor behind the market's rise has been the increased profitability of Italian industry

Fresh demand backs the bull run

The Bourse

JAMES BUCHAN

CASINO or functioning capital market? A year into the Great Italian bull market, the debate about the Milan bourse still rages. For those domestic and foreign investors already sitting on capital gains equal to their original investment, the answer probably does not matter much. For a country labouring under a chronic shortage of risk capital and with high real interest rates, the answer is quite important.

In retrospect, the Milan stock market seemed bound to rise. "There was an alignment of planets," says Mr Edi Cetin of Sige, one of the most alert and wry observers of tha Italian financial scene.

An important factor was the increased profitahility of Italian industry, thanks to corporate restructuring and the shedding of labour (often at public sector expense) at the beginning of the 1980s. The improved productivity started to be reflected in corporate earnings in 1984 after four years of flat profits.

Figures are hard to come by and, anyway, as an eminent Milan banker put it: "At all costs ignore reported net profits," which are depressed by generous depreciation allowances and o general reluctance to distribute earnings. A reasonable guess, however, provides a 1985 earnings increase of about 35 per cent for hlue-chip stocks, and slightly less for next year.

Equally important was tha two years of coalition stability in Rome which has helped turn Italy into a serious investment proposition for fund managers in the City of London and the US. This is based less on a valuation of the market—which is now expensive in terms of Anglo-Saxon price/earnings Ratios and dividend yields-than on the correct assumption that the nnit trusts would alter the demand side of the equation.

Foreign holdings of Italian shares probahly amount to rather over L3,000bln, or abont 4 per cent of the market capitalisation, these holders are still sensitive to changes in the poltical climate, as was shown by the 5 per cent market fall on the first day of the Government crisis in October.

The increased international and (through the unit trusts) instituitonal interest has had one very significant result: for perhaps the first time since its foundation in 1808, the Milan bourse offers a source of capital to compete with debt finance. The point has been very well taken hy men as different as Mr Carlo de Benedetti (who will raise one way or the other close to L700bn this year) and Prof Romano Prodi, the chairman of *IRI* who *is pushing* through a programme of partial disposals to the market. The underwriters of a number of failed issues in the early 1980s have managed to get the stock off their hands.

Conversations with bankers suggest that around 30 new companies could come to the market next year, of which the most interesting will be Benetton—to be floated simultaneously in Milan and New York. Meanwhile, the massive recapitalisation of Montedison is being brought forward.

The increased *liquidity* coming into the market has a number of important features. Firstly, it is real money. The Consob—the stock exchange regulatory body—insists that domestic individuals must deposit a cash margin of 50 per cent of the transaction value of a purchase or short sale. This means that the market is rising on real investment rather than on cashless speculation as in 1981. As one banker put it: "The people who are really confused are the old players who ran the market for their own convenience."

Second, it is more transparent. Ona of tha less agreeahle features of tha Milan market is the sheer volume of trade done over the telephone between banks and holding companies. Whila the price of the trade would be set by the marginal dealings on the exchange, the telephone traffic does not appear in turnover figures and is generally "very terrible for transparency," as Mr Paolo Borroni of the stock exchange council has it. The proportion of these trades has fallen from abont 80 per cent of all dealing to a hit the wrong side of half.

Third, the new money is beginning to shake up tha pyramid of industrial cross-holdings that absorbs so mnch of the market capitalisation. Thia change may, possihly, lead to some improvement in corporate practices. No self-respecting foreign institutional shareholder would willingly accept such old practices as issues purely of non-voting shares, or approval of shareholders hy the board of a company or exclusion from annual general meetings. The unit trusts are also likely to be more jealous of their shareholders' rights, should compatition for savings hot up.

The Consoh is insisting on andited consolidated accounts for all listed companies this year. But while the Consob, under Mr Franco Piga, has gained greatly in prestige in Milan, it is tending to walk rather softly. Pirelli produces no consolidated accounts which may be within the letter of the ruling since its operating companies are under 50 per cent held, but would seem to be against its spirit. "I have been looking at Pirelli for a year," one Milan analyst said, "and I still don't know if it really is a turnaround situation."

The Milan bourse also faces some formidahle technical problems. The auction system, involving a daily fixing for each share, is cumbersome. Tho clearing house is so overloaded that settlement is delayed as much as four months for domestic transactions, let alone those involving foreign exchange movements. There is no computerised link with the other Italian exchanges, which do just enough business to be not quite negligihle.

Above all, the market needs a well-regulated system of intermediaries to bring new companies to the market. Even a bourse capitalised at US$51bn, while double the level last year, is bound to remain somthing of a sideshow at only 12 per cent of GDP.

Mr Francesco Micheli has been the "mystery man" of the Milan bourse this year. His stealthy buying of shares in BI-Invest caused a storm inside Italy's financial establishment.

Artistic climb of part-time market wizard

BY ALAN FRIEDMAN

HE IS known in Italian financial circles simply as "Lo Scalatore," or "The Climber." The expression refers to someone who "climbs" through the Milan Stock Market, buying shares in a company and steadily building up a stake which controls the company. This indeed was Francesco Micheli's most recent claim to fame, for he is the man who prompted the takeover of the Bonomi family's BI-Invest financial and property group by Montedison this summer, the takeover which caused turmoil inside Italy's financial establishment.

What Mr Micheli actually did was to act as a stock-market raider, snapping up 36 per cent of BI-Invest (with the backing of Swiss financial interests) on the bourse and then offering it to Mr Mario Schimberni, Montedison chairman. He is said to have made a profit of around L40bn (US$23m) on the exercise, which is the kind of remuneration which allows one to shrug one's shoulders when being called a *scalatore*.

But Mr Micheli is only a part-time market wizard, at least half of his time is spent on a business which is far removed from the cut-and-thrust of high finance—the art world. For Francesco Micheli is also the chairman of Finarte, Italy's answer to Sotheby's. So successful has Finarte been that it is being brought to the bourse, although compared to Montedison this will be one of Mr Micheli's smaller projects.

"I only work on financial deals which look like they will be fun, and also perfect," explains Mr Micheli, seated behind a 10-foot long 14th century convent table in his office, just behind La Scala opera house.

One of the "fun" deals Mr Micheli helped to construct was the effective takeover last year of RAS, Italy's second largest insurance group, by Allianz Versicherung of West Germany. He is now a member of the board at RAS, as well as being one of Italy's most sought-after financial consultants.

So what kind of man is "Lo Scalatore"? Francesco Micheli was born in Parma 48 years ago, of a musical family (his father was director of the conservatory). "My father," he recalls, "wanted me to become a concert pianist, but my mother was more realistic."

After giving up his piano lessons he studied politics at Cattolica university in Milan and then in 1959, at the age of 22, he got a job working in the bourse. He remained in the stock market for 10 years, although in retrospect he laments: "I didn't like it. Spending my days in the bourse was dreadful. The only thing to do there was to earn money, nothing but money."

In 1969 Mr Micheli escaped the bourse and went to Rome to work for IMI, the state medium-term credit institution which also has the Italfinanziaria investment banking arm. Two years later he shifted to ENI, the state energy group which at that time controlled Montedison. ENI sent him to Montedison to work in the finance director's department. But the 1970s at Montedison was a time of heavy political interference, illogical acquisitions (such as newspapers) and Byzantine mystery under the leadership of Mr Eugenio Cefis, then chairman.

"By 1976 I was so nauseated by the situation that I decided that rather than going to work for another company I would change my profession," recounts Mr Micheli.

What he did was to buy 10 per cent of the small Finarte art auction house from Dr Gianmarco Manusardi, the founder of Milan's Banca Manusardi. Mr Micheli became vice-president and since then has worked closely—in the same office—with Mr Casimiro Porro, the managing director of Finarte.

Finarte has grown from L500m of share capital in 1976 to its L8bn at present, which is now being increased to L42bn. And Mr Micheli has bought majority control of the art house, which he will soon bring to the stock market.

Mr Micheli is modest about Finarte: "Compared to Sotheby's we are a fly on the wall." But regardless of the dimensions of Finarte, Mr Micheli's stock market arbitraging is sizeable, if selective.

On the changes which are making the Milan bourse more modern, Mr Micheli is less modest: "The old lions of the Milan market don't understand what is happening. The change is coming too fast for them. We are seeing structural change, which is making more of a real market."

It is a market which has probably not seen the last of "Lo Scalatore."

Profile: Jody Vender

Young Turk of the market

By Alan Friedman

Working from an office just a stone's throw from Milan's Brera Art Academy, Jody Vender has established himself as an emerging force in Italian investment banking and venture capital.

JODY VENDER may seem an unusual name for an Italian financier, but even more unusual than the name (a result of his Austrian forbears) is the man, a 35-year-old prodigy of Milenese investment bankiog who has been wheeling and dealing in corporete finance, securities and portfolio management for a decade.

Mr Vender keeps e very low profile, rarely speaks to the Press and manages to play a substantial role in a financial market which has a limited number of intermediaries that bring new companies to the bourse. Married, with three children, he started out with e job at the Milan Bourse after graduating in 1974 from Bocconi, Italy's best known business school.

Mr Vender's family mede its fortune in the manufacture of earth-moving equipment, then sold out in 1960 to Allis Chalmers, the company which eveotually ended up in the Fiat/Allis joint venture. In 1975 the Vender family held more than seven per cent of Banca Nazionale dell'Agricoltura (BNA), Italy's biggest private bank. Mr Vender's initiel brief was to sell off some of this holding and develop other aetivities at PAS, the family bolding vebiele.

The BNA stake is now 4 per cent and over the past 10 years PAS has built up important investment banking ectivities. Through its 68 per eent controlled and publicly quoted Sopaf subsidiary, the Vender family now has wide-ranging interests and L100bn of nominal share capital. Mr Vender recently sold a 7 per cent stake to the De Nora family, of Diamond Shamrock fame.

Mr Vender is especially interested in bringing new companies to the bourse, but his staff of 60 employees also works in brokerage, underwriting of Italian syndicated loans, the management of around L300bn of portfolio funds and selective investments in medium-sized companies.

It was Mr Vender, for example, wbn brought the Mondadori publishing empire to the bourse in 1981 (after taking an equity stake). And it was be wbn recently sold Carlo de Benedetti e stake in Mondadnri.

Mr de Benedetti, incidentally, has a 10 per cent stake in a Vender subsidiary which is very unusual in Italian finance—a venture capital investment company called Finnova.

Finnova is only two years old and still relatively small—it has made investments totalling L12bn. This total is expected to rise L20bn next year, based on a series of potential investments of no more than L1bn or L2bn.

But Mr Vender's most compelling interest, it appears, is to buy equity stakes in family-held companies and then bring them to the bourse. Among current investments in companies which might come to market are e 15 per cent stake in Lovable, a lady's lingerie business and 10 per cent of Faema, whieb makes coffee machines.

Mr Vender maintains that "there has beeo a great evolution in the past two or three years as family companies which bave traditionally refused to dilute their shareholdings are beginning to change." Then, repeating the time-worn lament of most Italian financiers he adds: "The Milan bourse is changing, but its higgest problem is still that there are not enough companies. It is necessary to double the number of companies."

When Mr Vender is not boled np in his offiee (e stone's throw from the Brera Art Gallery) concocting a new equity investment, he is back et his old university, Bocconi, where be is quite appropriately an associate professor of small business finance.

As for leisure activities, he smiles and shakes his head. "The only recreation I have aside from work is squash," he notes. Squash? But the Italians are hardly noted for their love of this sport. In fact it is almost impossible to find a court in Milan. Jody Vender has this one figured out as well: "I am trying to fonnd a squash club in Milan," he explains, without saying whether be might one day bring the clob to the bourse.

Fighting big-city favouritism

Financing Small and Medium-sized Businesses

DAVID LANE

The traditional reluctance of families, who control companies, to raise capital by diluting their equity stakes has combined with high costs of borrowing to cause difficulties for small and medium-sized businesses. But attitudes are beginning to change.

OLIO SASSO has been on most Italian lips at one time or another. The best selling olive oil enjoys such a name for quality that it is often given to babies and is widely used by the elderly. Still owned by the Novaro family, the company boasts experience dating back to the middle of the last century, when Paolo Novaro established his olive oil business in the Riviera town of Imperia.

With a turnover of L73bn last year, this well known company provides a typical example of the difficulties created by the high cost of finance, which Italy's many small and medium-sized firms have faced since the mid-1970s.

"Things are easier now than they were four years ago when our average cost of funds was 23.5 per cent" says Ugo Sirianni, the company's ehief executive. Indeed today's 16 per cent everage interest cost eppears relatively painless after interest retes which kept consisteotly ebove the 20 per cent mark for the first half of 1980s. Yet taking account nf falling inflation, the rate has increased in real terms.

Since his arrival at Imperie, Sirianni has given special attention to relations with the banks where Olio Sasso holds accounts. This was particularly important five years ago when the company was pushing towards its L11.4bn credit ceiling. Eaeb autumn he has held a working dinner with local hank managers to report on the company's performanee during the year and to outline its plans for the future.

Mr Sirianni complains, however, about the conditions which are applied to Olio Sasso's borrowings. "Our interest rates are certainly higher than large companies pay. Though their problems are often mueh greater than those faced by small orgaoisations, they have the political musele to enforce lower rates," be states. And being provincial also has its drawbacks. "We pay more for our mooey than a company of a similar size pays in Milan, Turin or Rome," he adds.

One of Italy's biggest banks, the Istituto Bancario San Paolo di Torino, agrees that it applies lower interest rates on its lending to large groups. "They put more work in our direction and offer better guarantees," says a senior manager at the bank. Companies with substantial export activities also receive preferential treatment from banks. "All banks are eager to lend to exporters because of the contacts whieb exports create with foreign banks," he states.

On the subject of big-city favouritism raised by Sirianni, San Paolo di Torino says that its lending policy is not regionally prejudiced. "Money may cost more in the south, but this is a reflection of greater risk and a higher level of default." Banco di Roma also says that there is no regional bias in its interest rate policy. "The bank leaves branches to decide local levels on the basis of individual operations."

Similar autonomy is enjoyed by the managers of the capital's savings bank, the Cassa di Risparmio di Roma. "Our hranch managers are encouraged to finance initiative, ideas and bnsiness capacity," says Lucio Veneziani, the Cassa di Risparmio's depnty general manager. "The market is very liquid at the moment and credit is generally evailable," says Mr Veneziani.

Reduced requirements for short-term borrowings are a reflection of improved profitability in Italian industry. The senior manager at the Istituto Bancario Can Paolo di Torino says thet the searcb for bigher productivity helps to explain the more encouraging bottom lines in company eccounts. Ollo Sasso's experieoce confirms this. Mr Sirianni has cut the company's workforce from 340 to 250, underlining the possibilities whicb existed for raising productive efficiency.

Another reason for lower borrowing on curreot accounts is the switeb to medium and long-term finance. "When the company faced liquidity problems four aod five years ago we not only oegotiated lnnger payment conditions with suppliers, but also converted some of our short-term borrowings into longer-term finence," says Mr Sirianni. In 1982 Olio Sasso oblained e L3hn eight-year loan from the regional medium-term credit institution, Mediocredito Ligure, at 3 per eent less than it was paying for short-term money.

The company has also recently taken a loao of L2.35hn at 11 per cent from the European Investment Bank, repayments oo which will stert in 1987. This was obtained uoder a programme to assist Mediterranean products, and has been used to belp finanee the construction of Olin Sasso's new heedquarters and ollve oil mixing plent and canning lines on the outskirts of Imperia.

Finding and negotiating the best conditions for finance presupposes a fair level of financial sophistication. This is sometimes missing in provincial companies. And e banking system in which the large majority of banks are not permitted to make medium and long-term loans can be a less than belpful intermediary for industrialists running small and medinm-sized businesses.

"The savings banks are particularly well-placed tn offer a valuable service to local industry," says Mr Veneziani. He explains that savings banks can lend up to one qnarter of their deposits on e medium and long-term basis, provided that this does not exceed one half of total lending. "We have deceotralised decision-making oo medium and long-term lending so that customers cao have e quick reply to requests for loans," he edds.

Supplying the rigbt type of finence calls for ewareness on the part of banks as to the needs of their corporate clients, as well as for custnmers themselves to be awake to the adventages of the various oew and old financial instruments. It is indicative of a lack of sophistication that leasing and factoring ere fairly recent innovations in Italy.

Mr Sirianni has reservations regarding the value of leasing for industrial companies. "With interest rates higher than on current accounts, leasiog is not convenient cost-wise. And its use for investment suggests inebility to ohtain lower-cost funds elsewhere," he says.

However, he is enthusiastie about factoring. "Olio Sasso started this with Barclays Bank three years ago and, though the cost is a point or two above current account, we find it an excellent means of short-term finance."

Behind the search for external finance by Italian companies there is often the nagging problems of undercapitalisation.

"Italians ere notoriously jealous of their family businesses, and reluctant to sell up or yield control to outside ioterests," says Sirianni. Yet he is hopeful that the Novaros can be convineed of the edvantages of diluting their holding in Olio Sasso, end even of eiming for a listing on the Milan Stock Exchenge.

The substantial corporate strides whieh Olio Sasso has made in the past five years are the underpinning for Sirianni's hopes. When he was eppointed cbief executive in 1980, aod a new top manegement team was recruited, it marked the withdrawal of the family from the day-to-day running of the company.

Transformation from partnership (SAS) to joint stock company (SPA) was another big step forward. So also was the appoiotment of accountants Deloitte Haskins and Sells as indepeodent auditors, calling in outsiders to look at the books being rather unusual in Italian family businesses.

Change is occurring in the way Italian family businesses relate to their commercial banks and even to investment bankers whieb may wish to take an equity steke. But it remains a slow process of change and in great part also a matter of education.

Italy's hottest new investment tool

Unit Trusts

JAMES BUCHAN

IN MARCH 1983, the parliament in Rome passed a law to regulate unit trusts in Italy. The response has exceeded all expectations. There are now 39 Italian unit trusts with over 500,000 investors and some $8.86bn in assets. Tenfold growth already this year makes the development of unit trusts in the UK (or mutual funds in the US) seem a little sedate, in Italian terms, it is revolutionary.

With net cash-flow into the trusts running at L1,000bn ($565m) a month, the movement is attracting funds out of bank deposits and out of direct public subscription of government debt—thus placing one more small question-mark against the financing of the public-sector deficit. The dentist or notary, who would have taken his savings to Lugano a few years ago, has been lured into the domestic unit trusts by the almost constant publicity.

Hemmed in by exchange controls, the movement's fuod managers have poured this liquidity into the Milan equity market, causing an unprecedented bull run—and stimulating a change in attitude on one of Europe's less-developed exchanges.

Despite the tale of runaway success, the movement was not created overnight. A group of Italian banks launched a Luxembourg-based trust, Interitalia, in December 1960. This punctually caught the start of the longest bear market in Italian history: not surprisingly, Interitalia had the field almost to itself for seven years and the first of eight bills to regulate unit trusts in Italy, in September 1964, did not make the statute book.

Interitalia's only competitor was none other than Mr Bernie Cornfeld, whose salesmen touted clandestine units of the Fund of Funds until Mr Cornfeld gained the approval of the Italian anthorities to launch the second Luxembourg trust, Fonditalia.

With the collapse of Cornfeld's IOS in 1970, Fonditalia passed under the control of IMI and is today still ona of the larger institutional investors in the Milan stockmarket. But throughout the 1970s, the Luxembourg industry was contracting. Cash-flow shrank until redemptions exceeded sales in 1975, not least because of official insistence after 1973 that cash-flow be fully lovested in Italy to support the lira. It was not until a recovery in tha stockmarket in 1979 that interest in unit trusts returned.

Tha legislation may have taken two decades, but it was well timed when it arrived. Italian savers were showing every sign of restlessness with the range of savings products on offer. Property values were falling (and still are, even in nominal terms), confidence in the state pension acheme was low and the public, having been attracted into government debt hy the very high real yields availabla was desperate to diversify.

In Milan, it is commonly said that the commercial banks hindered the development of unit trusts for fear of losing deposits or, as one leading investment banker asked: "Who else could have held up mutual funds for 20 years?" The banks contest this.

They point out the high fees they can earn on unit trust business—especially if, instead of plundering their deposit base, they can mobilise the public's $100bn or more in government bills and bonds merely deposited with the banks and oot managed at all.

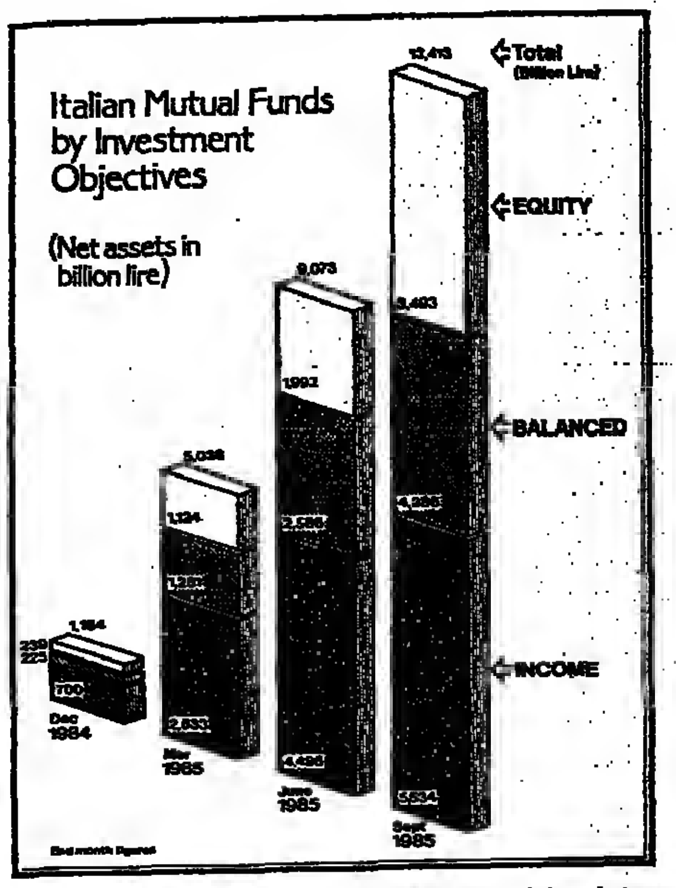
None the less, sales of units through bank branches are not growing at the rate managed by the armies of salesmen acting for companies such as Fideuram, the marketing arm of the IMI trusts (and formerly of IOS). An attempt by Banca Commerciale and Generali to market unit-linked life policies has not been a great success.

Life cover in Italy is undeveloped by Northern European standards or as Mr Ugo Sardalli, chief fund manager of tha joint venture, Genercomit, puts it: "We Italians just have no love for insurance."

The great advantage of the 1983 law was its tax provisions, which are favourable to the individual investor. He pays no income tax except the withholding tax on dividends accruing to the trusts and he pays no capital gains tax at all. In addition, the law permitted the unit trusts a "safety-valve" of sorts in that they may invest up to 10 per cent of their assets abroad without subscribing the usual penal deposits at the Bank of Italy.

However, this allowance has proved woefully inadequate. Since the percentage is computed on assets as at six months before, a trust opening its doors this month would have to wait until next summer before looking overseas. In fact, the 38 Italy-based funds held a princely 1.5 per cent of their assets overseas at the end of September.

While it may be questioned whether the new fund managers have the skill to make heavy overseas investments, the confinement of cash-flow to Italy has merely emphasised the overwhelming problem facing the funda: the shortage of equity in the market.



For reasons of temperament and tradition, the early unit trust investments were largely skewed towards fixed-interest instruments such as government bonds and convertible stocks. However, investors have had no difficulty distinguishing a greater than 75 per cent gain so far this year in the BCI stockmarket index and a 15 per cent yield on short-term Treasury securities. Net sales by income funds halved between the first and the third quarters, while pure equity funds now account for one-third of net sales. The entire movement is about 33 per cent invested in Italian shares — owning some 8 per cent of the market.

Even the equity funds have underperformed the BCI index. The unit trusts would have done better to invest according to the weighting of the index but this simply is not possible: the sight of an Italian fund manager, bunched before a flickering screen and muttering "no sellers, no sellers," would wring the strongest heart.

The free float of equity is constrained by industrial cross-holdings to little more than 40 per cent of the market. The unit trusts have thus been driven into the marketable stocks—with 12 per cent of Fiat—or sometimes into whatever comes their way. Italian corporate reporting is of a low standard and it is not easy to value a company on the basis of reported earnings.

In these circumstances, there is a danger that investment decisions will be no more sophisticated "than putting money on black or red at the casino," in the words of Mr Paolo Azzoni, a prominent Milan stockbroker. Equally, opportunities for collusion between a bank's unit trust and corporate finance departments are as rich in Italy as anywhere else.

There remains the danger that the unit trusts in a body might sell out the equity market if sentiment turned against it. This does not seem very likely; the unit trusts are confronted by a sort of Hobson's choice because of exchange control and the very large holdings of public sector debt already in their portfolios.

The market probably does need a second line of domestic institutional investors to consolidate this year's gains on the demand side and exert professional pressure on company managements. As for tha supply side, the stockmarket quite simply needs new companies.

Efforts are made to widen services

Retail Banking

DAVID LANE

ROME'S Fiumicino Airport offers many visitors their first contact with Italian retail banking. For those whose intercontinental flights reach the capital in the morning, at about the same tima as the day'a European business travellers are landing, tha experience of changing dollars or United Arab Emirates dirhams can be frustrating.

Long queues at the airport's only bank cause temperatures, probably already high from delays in baggage collection, frontier and customs controls, to rise still further.

Unfortunately, there is no guarantee of improvemeot after this initial experience. Fiumicino may be a trial of patience for the weary traveller, but changing money or effecting other banking operations at city eentre branches can easily prove to be worse. Since the return to afternoon opening, banking bours are no longer a real problem. The difficulties for the customer are likely to arise in actually getting served.

It is probably no consolation for the visitor that locals are equally affected and are obliged to suffer the service for 12 months a year. Deciding whicb till to head for, and which group of jostling customers to join, is a much a gambla for Italians as for foreigners.

Nothwithstanding widespread and long-standing complaints about delays in crediting cheques, this continues to be a source of irritation. Settling utilities bills through the banking system can be subject to chance, telephone accounts being acceptable but electricity not.

However, Italian banks have not remained passive in the face of criticism. They have made considerable efforts in recent years to widen their services, moving away from tha traditional banking area of current and deposit accounts into special forms of saving, personal and bome loans.

Banco di Roma's "Conto Corrente Piu" provides customers with insurance against robbery and bag snatching on the way to and from the bank, as well as direct debit for regular payments.

Next year should see the launching of Italy's national credit card. Sixteen major banks, each with a 5.625 per cent shareholdiog, have recently established a company to manage this operation. ABI (the banker's associatioo) and the central institutions of four categories of banks (savings hanks, rural banks, popular cooperative banks and ordinary hanks) have takeo 2 per cent stakes in the company.

Credito Italiano is a participant in the new card, Access/Eurocard with which it was previously linked, having reached an agreement with the Italian national card. Banca Commerciale Italiana's "Conto d'Identita" card has also merged with the new venture, and discussions are under way to hring in Banca d'America e d'Italia'a Visa/BankAmericard as well.

But Italians are very cash oriented, so it would be unwise to predict a quick acceptance of a radically new way of paying for purchases. The statistics show that Italy lags a long way behind in this area and that much ground has to be made up.

It is estimated that the number of credit cards in circulation is about 1.8m, of which two-thirds are issued by BankAmericard. Eurocard has 180,000 and Conto d'Identita 100,000, while tha travel and eotertainment cards amount to 260,000 American Express and 100,000 Diners Cluh. Cards are oot widely accepted at present, around 55,000 points for American Express, 40,000 for Eurocard, 25,000 for Diners Club and 24,000 for Conto d'Identita.

Considershle promotional work is needed to convince shops, restaurants and hotels that credit cards are good for business. Equally, the new national card veoture faces a massive task ln persuading the publie to apply for, and then use, credit cards.

"It is a virgin market which does not understand the opportunities and beoefits," said Alberto Rossi, marketing director of Amarican Express. Mr Rossi said that American Express views the new eotrant with equanimity. The national card is seen as complementary rather than competitive. "Growth is tied to investmeot and the national card will provide promotional investment for the whole sector," he said.

Next year may also open up possibilities for electronic funds transfer at point of sale (Eftpos) in Italy. A first step was taken earlier this year on the snowy slopes at Bormio during the world skiing championships when a local bank, the Piccolo Credito Valtellinese, the computer system company Enidata, aod a subsidiary of Credit Lyonais collaborated on an Eftpos experiment called Tellcard.

Eftpos did not slip on the beginners' slopes at Bormio though, given the low penetration of credit cards, there must be concern about the time needed for the acceptance of electronic payments methods. The 4,000 "smart" cards at Bormio, programmed with credit lines of L1.5m ($850) were each used 3.3 times on average and the amount of each transaction was about L50,000.

Consumer approval apart, a slight chill was cast by the authorities over the warmly cherisbed hopes expressed by the organisers of Tellcard. Tha Central Bank has adopted a cantious line on Eftpos, underlining the need to proceed in an orderly fashion to safeguard the banking system and protect customers' interests.

Collaboration on standard systems with the aim of cost minimisation and overall efficieocy is a fundamental requirement stipulated by the Central Bank.

Further steps will be taken in 1986 to evalnate electronic funds transfer at point of sale, a group of larga banks pooling their efforts in an extended trial. Senior systems managers are generally optimistic that Eftpos will have an important role in tomorrow'a banking in Italy. However, a condition for success is that Eftpos cards sbould be unified with the Bancomat national cash card.

The national Bancomat card scheme got underway two years ago and put Italian retail banking at the forefront of technological innovation. However, its progress illustrates Italian reluetance to turn to plastie cards for financial operations. Though Bancomat has moved abead, it bas hardly dona so with huge bounds.

Tha penetration of plastic bank cards into the Italian lifestyle has up to now been slight. At the end of July there were 3.1m cardholders, hardly tha evidence of an euthusiastic rush by the banks' current account holders.

Yet it is clear that customers who possess Bancomat cards are starting to appreciate their usefulness. While the number of cardholders has risen by 50 per ceot in two years, the number of operations carried out "in circolare" (the cardholder drawing cash from an automatie teller machine of a bank other than his own) has increased more than fourfold.

There is a fundamental anomaly in Italy's retail banking system. While the Bancomat nation-wide cash dispenser network is one of Europe's most advanced, the level of personal service still leaves much to be desired.

Against 0.9m operations in the first quarter of 1984, there were 3.8m in the second quarter this year, showing that, once issued, cards tend to be used.

According to ABI (whose subsidiary SIA runs Bancomat), the volume of cash withdrawals from the cardholders' own banks is between three and four times the volume of operations "in circolare." So the average use of Italian cash cards is probably running at about four times a quarter, compared to less than two during the system's first months.

Maximum withdrawal limits have remained unchanged since Bancomat started, L500,000 per operation and a total of L3m in eny month. However, according to a senior official at ABI, these limits bave not been a prohlem. But it seems that ABI recognises the existence of problems because it recently commissioned market research on Bancomat and its users.

The user profile was far from startling. Bancomat cardholdera are two thirds male, aged between 26 and 45 years, businessmen or professionals in middle and upper income brackets and living predominantly in the north.

A shortage of ATMs (automatie teller machines) could be ooe of the obstacles to wider acceptance of Bancomat. At the end of June there were 1,884 ln operation, against 1,213 in March 1984. So the rise in the number of cardholders has matched the rise in the number of ATMs. Under current nlans tbere should be 2,030 ATMs operating in Italy at the start of next year.

ABI points to two new factors whicb could soon provide a significant boost to Bancomat. The objective during the first two years has been to follow a national plan in order to create a mioimum network of ATMs. Now the banks which participate in Bancomat are about to move into a five-year transition period which will see the installation of ATMs being liberalised.

Equally significant is likely to be the expansion of services offered at Italy's ATMs. Cardholders can only draw cash at the moment, hut from the beginning of 1986 tbe system will take eash deposits.

Two other services which ABI expects to offer should appeal even more to Bancomat users. If the plans are realised, in 1986 customers will be able to effect bankers' orders and, even more interesting for Italians who presently face lengthy post office queues to make giro payments, to pay telephone and other ntilities bills at the ATM.

Nevertheless, the use of plastie cards to pay bills or to draw cash is still a long way from general acceptance in Italy. This aversion to plastic money may appear perverse as cards offer account holders a way of avoiding what is freqnently a low level of personal service from buman tellers.

Many bank branches present scenea of considerahle staff indifference. Long queues of exasperated customers, ignored hy hank clerks leafing through paper or chatting among themselves, are far from rare in Italiao hanks. Poor personal service might be expected to induce customers to do their best to avoid coming into direct contact with bank staff and to opt for plastic cards. So far it has not.

However, the future should be brighter both for Italians and foreign visitors. As well as widening their services and moving with determination towards a future based on the plastic card, Italy's retail banks bave also been giving increasing attention to improving the level of personal aervice.

Top management is well aware of the staff problem and the difficulties which automation and innovation are creating. Considerable emphasis is now heing placed on training and re-training in order to motivate and re-motivate, and to reduce the level of staff alienation which is so often apparent today.

Privatisation: A sign of the times

Sales of State Share Holdings

JAMES BUXTON

THE PRIVATISATION of stakes in Italian state-controlled companies is in addition to being one of the most important developments in Italian finance this year, a dramatic demonstration of how much Italy has changed in the 1980s.

At the beginning of this decade the very idea that the state holding companies, IRI and ENI, could sell off shares in their subsidiaries was, if not impossible, inconceivable. The epparently immutable trend had always been for the weakor companies in the Italian private sector to drift into the state sector.

The state-controlled companies had e justified reputation for poor management, very heavy losses, and meddling in their affairs by politicians. This completely obliterated the fact that within both IRI and ENI there were a few relatively sound concerns; the stock exchange, depressed from 1981 onwards, was in no mood to consider them.

So how is it that between 1983 and August of this year IRI had sold assets, consisting not only of property but of subsidiaries and stakes in subsidiaries, to a value of L2.846bn ($1.61bn). And that since then a series of major and much more impressive privatisation operations, many showing considerable technical skill, have got underway.

The first reason is that there has been a revival in the state sector. Several of the major subsidiaries of the industrial holding company IRI — such as STET, the telecommunications holding group — were put on the road to recovery early in the decade. But the improvements in their performance were swamped by the colossal losses IRI was suffering in its steel sector and other smokestack industries.

The second reason is that the entire Italian business climate has improved sharply, and not just because in 1983 the Italian economy finally came out of recession. Businessmen have become more confident and the unions have showed themselves to be weak and divided.

The new self-assurance has been aided by the continuity provided by the Government of Mr Bettino Craxi, now in power for more than two years. In 1984 the new mood reached the Milan Stock Exchange and communicated itself abroad, so that early this year it was difficult to tell whether it was more the enthusiastic arrival of foreign investors or the newly constituted mutual funds that made the market boom.

This presented Professor Romano Prodi, chairman of IRI since late 1982 with a remarkable opportunity. His aims at IRI have from the start been to reduce losses — which amounted to L2,724bn in 1984 —and to cut debt, which is hovering perilously close to the group's turnover of over L40,000bn. His principal aim in selling assets has been to raiso money, with the secondary objective that by bringing in the private sector he can also impose greater commercial disciplino on management.

The privatisation process does not have a political objective, as it does in Britain Most companies in tho IRI group are still, at least in name, partnerships between the state and the private sector. They are not nationalised companies.

In the 1950s and even in the 1960s the balance between IRI and the private sector shareholders was about 50—50. But as losses began to soar and only the state holding company was disposed to put in more capital, the balance shifted decisively to the state sector so thet Altitalia became 99.9 per cent, and SIP, the telephone utility, 83 per cent owned by IRI.

The beanty of Italian privatisation is that there can be no political objection to the state holding company reducing its stake in subsidiaries to a level similar to that prevailing about 20 years ago, provided it retains control. Since most of the companies involved have always been quoted on the stock exchange, there has been no need to make new flotations, let alone to win the approval of parliament. But outright sales to the private sector have been more controversial.

IRI's first major sale, that of a large farm that it happened to own near Rome, turned into a disaster when the deal was blocked in the courts under an action promoted by the trade unions. The sale of San Giorgio, a small manufacturer of domestic appliances, to a private sector group was achieved only with difficulty.

Political opposition obliged IRI to insist that the new owners kept the entire staff unchanged, and this affected the price. By early this year only about a dozen little companies and banks had been sold off by IRI, along with its 12 per cent holding in the Paris-based Wagons-Lit Company.

In fact the way to stock exchange privatisation was shown by ENI, which last year sold off 30 per cent of Saipem, its well run drilling and pipelaying subsidiary, in a deal which realised L120bn. Until then, IRI had only tested the water by selling small packets of shares in its subsidiaries on the stock exchange to foreign investors.

Then in April this year Prof Prodi staged what ought to have been an historic coup, but which backfired badly. He summoned a press conference at IRI's headquarters to announce that IRI was selling the wholo of its 64 per cent stake in SME, e large quoted holding company operating in the food manufacturing end distribution industry, to Mr Carlo de Benedetti, who had only recently become the owner of the rathor smaller Buitoni foods company.

The initial public reaction was admiration that such e dramatic break with the past could be achieved at a stroke. But Prof Prodi had overplayed his hand. He naglected to get the approval of Mr Craxi, who is in a sense the representative of IRI's shareholder, the state.

Mr Craxi objected to the price —L497bn — which Buitoni was paying and to the way the deal was concluded in the absence of competition from rival bidders. He actively promoted rival bids to that of Mr de Benedetti.

The Buitoni-SME deal is now stalled, beset by legal action and by the fact that several higher bids havo been received for IRI's stake in SME. The matter is unlikely to be resolved before early next year. In the meantime, the Government intends to draw up rules to define exactly what kind of companies the state holding groups may sell off lock, stock and barrel and what procedures should be followed in selling them.

Since then, however, IRI's privatisation policy has regained momentum. The showpiece is the operation in September to sell about 30 per cent of SIP, the telephone utility. Prof Prodi was deeply impressed by the scale of almost 50 per cent of British Telecom by the British Government.

The SIP privatisation echoes the BT sale in certain ways. The first 120m shares to be sold —70m to Italian investors and 50m to foreign institutions through London stockbrokers — carry warrants entitling the holder to buy SIP savings shares on three dates up to June, 1987. In a sense, therefore, this is a partly paid offer, like that for British Telecom.

In other respects, however, the deal is very different. Some 30m shares are being sold to Mediobanca, the Milan merchant bank, for its own portfolio, and the bank will also be issued with 100m shares against which it will offer convertible bonds. When all these operations are complete in about three years' time, STET, SIP's parent, and IRI itself will have realised more than L1,000bn.

There are two other differences with British Telecom. First, the SIP shares, which went on sale in September end were snapped up in e few hours, went as far as can be judged, to institution investors and to mutual funds, not to small savers. Savers simply do not directly invest on tha bourse.

Secondly, the SIP privatisation went ahead without any firm agreement being reached betwaen the company and the Government on e formula for tariff increases. SIP is vulnerable to exactly the dangers that have caused it very heavy losses in the past — long delays in the approval of higher charges.

The SIP privatisation, which will lead eventually to the state controlling only 51 per cent, was preceded by an operation which has been much criticised. This was the issuing of shares equal to 40 per cent of the equity of Sirti, another STET subsidiary which lays cables, particularly for SIP.

The price was pitched much too low and anyone who could lay his hands on an application form and submit it before the offer sold out made en instant profit of nearly L3,000 on the offer price of L3,850. The share price now stands at over L7,000 but the number of shareholders, said at one point to be 57,000, has now been greatly whittled down and the shares are mostly in institutional hands. But STET still raised L300bn from the operation.

The reduction of IRI's stake in Banca Commerciale Italiana, the country's second biggest bank, shows imagination. First it cut its stake in the bank from 88 per cent to 73 per cent by selling shares discreetly on the Stock Exchange, realising, it is believed, about $100m. Then it placed a further 12 per cent of BCI shares in equal portions with a group of European institutions, led by S. G. Warburg, and with Mediobanca. A similar operation is planned for BCI's sister bank, Banco di Roma.

IRI has also deftly handled the reduction of its stake in Alitalia, the state airline, which now makes reasonable profits. First it discreetly ran down its holding of Alitalia preference shares by taking advantage of their popularity on the bourse, reducing its holding to 62 per cent. Next it announced that it will offer ordinary shares in Alitalia to holders of the preference shares on a 2 for 5 basis.

This will cut the state company's holding of Alitalia ordinary shares from 99.9 per cent to 84.52 per cent. Altogether proceeds from the two operations will total about L420bn.

For the telecommunications holding company STET, IRI has chosen another route. Credit Suisse First Boston is to make an issuo of 50m shares through the Euro-equity system. This mothod, never before used for an Italian company, will net about $100m for a 5 per cent stake.

IRI intends to follow these operations with tha reduction of its stake in companies such as Aeritalia (aerospace), Selenia (electronics), Autostrade (which manages most of Italy's motorway network) and SEAT (which publishes telephone directories). But in all these cases stock exchanga quotations must be obtained first.

Meanwhile, Banca Nazionale del Lavoro, which belongs to the Italian Treasury, is planning to offer 25 per cent of its capital to Italian investors in an operation that could raise $200m end offer further shares to its employees.

ENI is to issue to the public furmer equity in Saipem, which is to be qnoted on the Paris stock exchange. But so far there is no word of ENI diluting its stake in other highly marketable subsidiaries such as Snamprogetti (engineering projects) and Nuovo Pignone (compressors).

IRI, having discovered, perhaps to its surprise, that the equities of its subsidiaries are popular not just with a stock market hungry for equities but also with foreign investors, has often been able to sell companies as much on the basis of their prospects as on any glittering profits record.

In so doing it has boosted the stock exchange, but it can be questioned whether the stakes "privatised" have genuinely gone to the private sector.

In many cases shares have been bought by banks and other financial institutions which are in one way or another controlled by the state, even by IRI itself. Senior Milan financiers have been heard to use the phrase "phoney privatisation."

Perhaps this is inevitable in a country where the ordinary saver almost never owns equities, and where the commanding heights of private business are controlled by an oligarchy. There may well be changes in the way the successful IRI subsidiaries are run. But these may be as much because of a now sense of professionalism in the Italian state sector rather than the influence of a minority of "private" shareholders.

The fact that Italian state holding groups, such as IRI and ENI, are able to float shares of public sector companies is an important indication of change in the country's financial system. More sales are on the way: What is now needed is a co-ordinated policy.

Professor Romano Prodi, chairman of IRI. His principal aim in selling assets has been to raise money, with the secondary objective that by bringing in the private sector he can also impose greater commercial discipline on management. The privatisation process, unlike that in the UK, does not have a political objective. Most companies in the IRI group are still, at least in name, partnerships between the state and tha private sector. They are not nationalised companies. After initial setbacks IRI's privatisation policy has regained momentum

Profile: Bruno Visentini — By James Buxton

Strong force behind financial rectitude

APPEARANCES IN Italy are usually deceptive. The country's Minister of Finance is not responsible for finance in the usual sense of the word. And the man who holds the post, Mr Bruno Visentini, is quite unlike other Italian politicians.

Among the three ministries, which between them carry ont the functions that in Britain are the responsibility of the Treasury, the Ministry of Finance deals only with revenue.

The post of Finance Minister is a lot less glamorous than that of Treasury Minister: Yet since Mr Bettino Craxi's government came to power in 1983, the Finance Minister has shown himself et least as influential and if anything more innovative than his colleague et the Treasury, Mr Giovanni Goria.

Bruno Visentini is ebove the melee of Italian politics. He is not an enthusiast for the late night cabals and the interminable, coded interviews so beloved of his cabinet colleagues. Instead this lofty 71-year-old patrician, with his almost permanent look of dismal scepticism, gets on quietly with his job of trying to impose financial rectitude on the rest of the government and fiscal propriety on the Italians.

Mr Visentini came to government office relatively late in life, and as e technocrat, not as a professional politician. He comes of a Jewish family from Treviso, in the hinterland of Venice, and originally qualified as a lawyer. His first service to the state was as vice chairman of IRI, the state industrial holding company, from 1950 to 1964.

Next he became non-executive chairman of Olivetti, a post from which he twice resigned to become Minister of Finance, once in 1974 and the second time in 1983, when he joined the Craxi government.

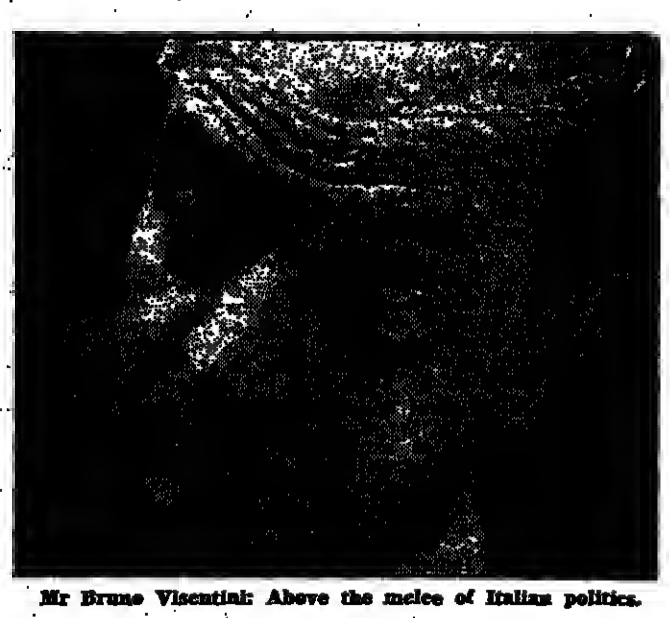
He only became e member of parliament in 1972 but in 1979 he was chosen to be president of the Republican Party, the centrist grouping led by Mr Giovanni Spadolini, the present Minister of Defence, which now has abont 5 per cent of the vote.

By the beginning of this decade, Mr Visentini had acquired such a reputation for sound judgment, honesty and determination that he was being put forward as e possiblo Prime Minister, presiding over a government of technocrats thet would put an end to the futila wrangling then raging among the parties.

But it is highly questionable whether such e government could ever have existed, and there must be doubts whether Mr Visentini, who combines personal warmth with a certain choleric bluntness, would ever have been sufficiently diplomatic to lead it.

His great contribution to the country has been in making such reforms as are possible to Italy's treacherous jungle of a tax system. As a parliamentarian and not as a minister he pushed through legislation that dramatically improved company balance sheets by allowing them to revalue their inventories. And last winter he forced on to the statute book a law which could profoundly change the nature of Italian life by forcing shopkeepers to pay much more tax on their income.

Both tha law and the way its epproval was obtained were typical of Mr Visentini. It is a harsh piece of legislation which allows the taxman to make unflattering assumptions about tho accounts of businesses which do not keep proper books.



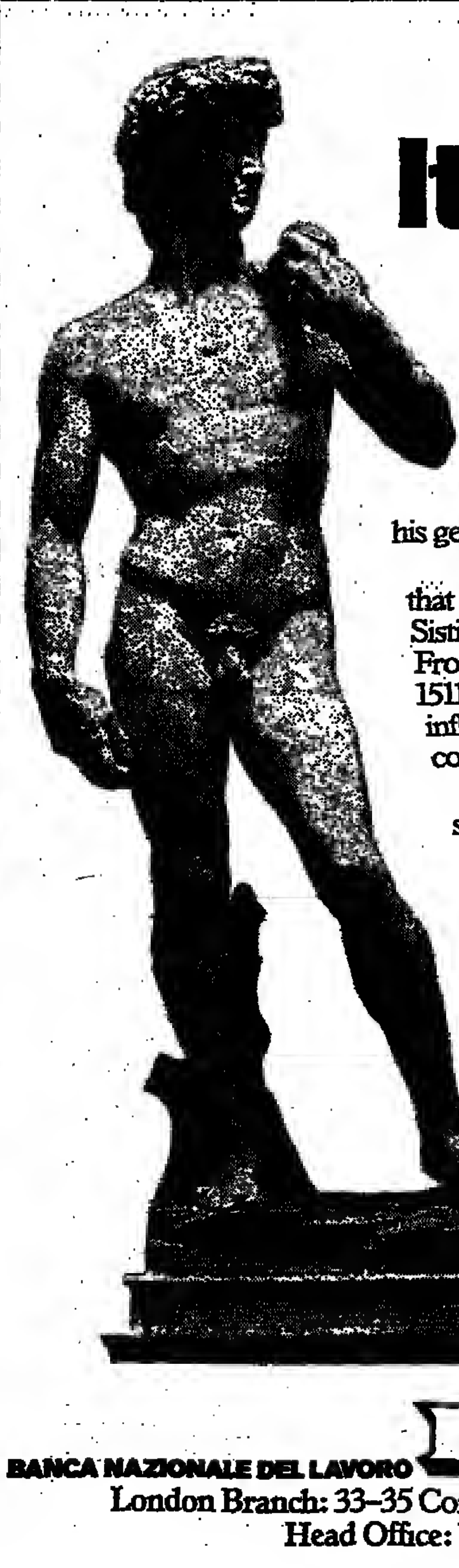
Mr Bruno Visentini: Above the melee of Italian politics.

But Mr Visentini refused to be deflected from his purpose in the battla over the Bill. Ha dismissed the argument that the black economy, of which most small shopkeepers formed part, was e good thing: "Panegyrics of tha black economy ere unworthy of a modern country," he thundered in parliament. He doggedly refused to make substantial amendments to tho Bill, hinting instead that he would resign if the legislation were altered, and knowing full well that this would bring down the Government.

Since that great battlo was won, early this year, Mr Visentini has changed his tack. As the Governmant deficit becomes ever more bloated he has dug in his heels and refused to raise taxation. His argument is compelling: Fiscal pressure is already high enough: If I produce more revenuo, Mr Giovanni Goria, the Treasury Minister, will only be ohliged by his colleagues to increase spending: It's high time the Treasury showed the same kind of determination as I have in my department and made actual cuts in spending. In this indirect way, backed up by open letters to Mr Goria in the Press, Mr Visentini is fighting e one-man battle to make the Government face up to its responsibilities.

Popularity, either with the public or his cabinet colleagues, seems to mean little to him. His telephone numbers are printed in the telephone directory, and have been amply used by angry shopkeepers protesting about his tax law. When he recently presented a document to his cabinet colleagues outlining cuts in income tax rates to offset fiscal drag, he cunningly put e different figure for one particular category in each copy he distributed. When the document was leaked and published in Corriere Della Sera, he knew exactly who had leaked it. It was the office of the Prime Minister himself. Mr Visentini did not conceal this intelligence from the Press.

Mr Visentini is not a man to flaunt his ambitions. Last spring he openly tinkered with the idea of abandoning government to becomo Mayor of Venice, where, naturally enough, he supports the faction that deplores the excessive popularisation and touristification of the city, as symbolised by its recently revived carnival. But there should be more than enough to keep him at the Finance Ministry.

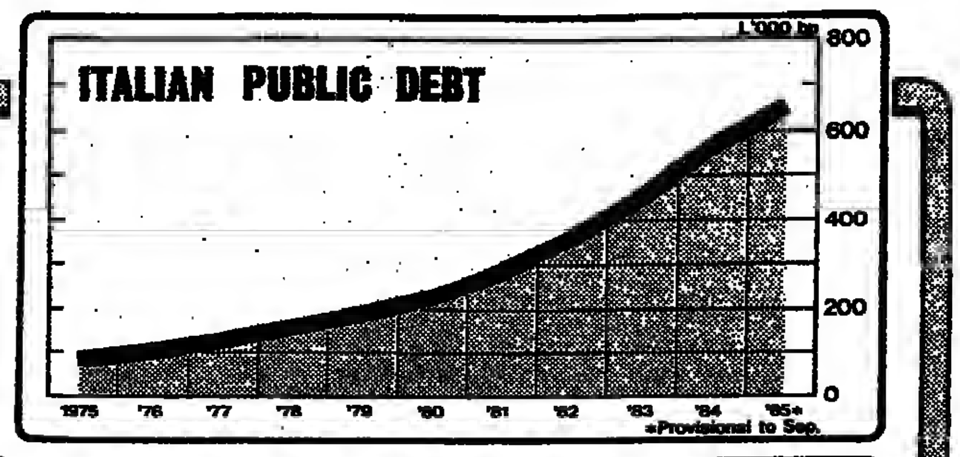


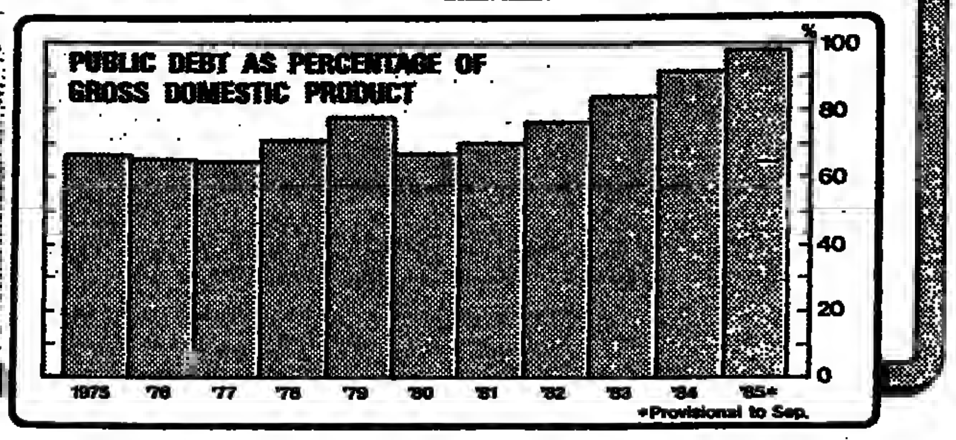
Showing little inclination for change of course

Financing the National Debt

JAMES BUXTON


Giovanni Goria - Treasury Minister





ITALY'S national debt is one of the great financial phenomena of modern times. Every month the government offers bonds to savers at a real rate of interest of between five and six per cent a year, on which they pay no tax. And because the government always needs more money, the accumulated national debt this year will lumber past the point at which it exceeds Gross Domestic Product.

The debt grows all the time, yet there is something extraordinarily static about it. A few weeks ago the Milan newspaper, Il Sole — 24 Oren published a half-page article which examined a series of suggestions for reducing the interest burden. They ranged from taxing the income from boods to consolidating the debt issue. But every idea was rejected as either impractical or unlikely to have a significant effect.

Late last month Dr Carlo Ciampi, Governor of the Bank of Italy, dealt in unaccustomed detail with many of the current proposals for coping with the debt. He dismissed every one of them, saying that the only way to manage it was for the Government to reduce its borrowing requirement net of interest.

He added wearily: "The path to be followed to restore public finances was clearly marked out some time ago, and I have referred to it on several occasions."

But bow does the system work, and why do most authorities believe that it cannot be substantially changed?

Italy has for long run big budget deficits; they rose sharply in the 1970s just as inflation went into double figures. This made it difficult to sell anything but short-term paper without paying very high rates of interest. The favoured instrument was the BOT — The Buono Ordinario del Tesoro, redeemable after three, six or 12 months.

To make sure BOTs were sold, they not only enjoyed tax-free status, but the authorities imposed taxes on bank deposits. And in 1975 the Bank of Italy was required to act as buyer of last resort at the BOT auctions. This played havoc with its control of the money supply, but it did at least ensure that the Government's paper was sold. But maturities shrank to about one year.

The 1975 ruling is known in the argot of the Italian public debt as the "marriage" that preceded the "divorce." The divorce came in 1981 wheo Dr Ciampi at the central bank and Mr Beniamino Andreatta, the Treasury Minister, agreed that the bank need no longer buy up unsold government bonds.

From then on monetary control has been more effective and though the bank has done much to direct financial institutions to purchase government bonds, it has taken a rigorous line on interest rates almost as if it believed that the Treasury needed to suffer for its sins of deficit financing.

The Treasury then stepped up its effort to sell a financial instrument which had been introduced in 1977 but had initially been a failure. This was the Certificato di Credito del Tesoror or CCT. It differs from the BOT not only in having longer maturities but in being "financially-indexed"—the interest rate varies on a spread above the rate on six-month BOTs.

The CCTs gave the Treasury the chance to lengthen the average maturity of its debt, which gave it greater security and reduced the need for repeated roll-over of the debt.

The CCTs became a big success, thanks partly to an advertising campaign which emphasised their tax-free status and the ease with which they could be bought. Ordinary households rather than institutions came to hold the larger part of the Government's debt. The Government, unable to meet all its financial needs by taxation, had discovered that, for a premium, it could obtain savers' funds in a much less painful way.

Even so, the development of the bond market was not smooth. In late 1982 there was a crisis when word got about that the Government was planning to consolidate its debt—to postpone repaying principal and tax the interest. The Bank of Italy forced the Government to obtain an Act of Parliament to allow the Treasury to exceed its drawing rights at the central bank, and so overcome the liquidity crisis.

The Bank of Italy disapproved of the idea of the Treasury issuing bonds indexed to the inflation rate, which the Treasury favoured since it would enable it to borrow at a known cost in real terms. In fact, in 1983 there was an issue of indexed bonds bearing a 2.5 per cent rate but it was not a great success, possibly because parliament linked it to an obscure measurement of inflation which is calculated only once a year. There have also been a number of issues of bonds denominated in Ecus and sold partly outside Italy.

But as inflation rates have fallen, so the Government has been able to extend the average maturity of its debt by issuing CCTs for longer periods. CCTs have been issued with a life of 10 years—financially indexed of course—and between December 1983 and October of this year the average maturity of the Government's bond rose from 18 months to 3½ years.

Yet the whole question of the Government bond issue is constantly criticised from different parts of the political spectrum. It is argued that the boods' tax-exempt status should be removed: it is said that the rate of interest on the bonds could be lowered; it is proposed that the bond issue is consolidated.

There are suggestions that banks be obliged by law to buy bonds. The case is made for the Treasury issuing a wider variety of financial instruments.

The case for taxing the interest on bonds is based largely on considerations of fiscal equity. With interest going untaxed, some 12 per cent of gross domestic product is quite beyond the grasp of the taxman, two-thirds of it in the bands of families.

Both the Treasury and the Bank of Italy oppose the idea, on the grounds that if the bonds were taxed, the yield on the bonds would simply have to be increased, which would mean that what was gained in tax would be paid out in higher interest.

If families were prepared to accept lower yields, this could be achieved in other ways, the Treasury argues. There is also the fear that if the taxman was allowed to know about families' holding of bonds, he would be inspired to pursue his inquiries into other parts of their affairs, thus making the owning of bonds something to be steered clear of.

The Treasury view is that quite apart from the practical difficulties of bringing in the taxation of interest without severely upsetting the market, it would be better to postpone all the risks involved to a period when the state was less dependent on personal savers.

As for the question of interest rates, yields on bonds are related to the whole structure of interest rates, over which the Bank of Italy exercises a strong hand. As Dr Ciampi put it: "The financial burden needs to be based, in part by working to higher interest rates, but the fact that these are linked to both inflation and the supply of and demand for financial saving cannot be ignored."

On the question of bonds alone, a simple reduction in the yields could encourage savers to spend their money on consumer goods, or to put their money into other things such as gold, or to take it out of the country altogether.

The idea on consolidating the debt—forcibly converting short-term into medium- or long-term debt—still comes up from time to time, even though it is firmly scotched by the authorities whenever it does.

Consolidation would give the Government the use of the public's money for longer. But the coercion that would be required, unless offset by a sharp jump in interest rates, would destroy public faith in the state as a creditor. Anyway, as Dr Ciampi has pointed out, the maturity of the debt is now lengthening, impressively.

The suggestion that banks should be obliged to buy bonds in proportion to their deposits would simply distort the bond market, its opponents argue, and deprive other borrowers of funds for which they are prepared to compete. Dr Ciampi says: "It is impossible in practice to divide the debt between a free and a captive market."

What about the idea that the Treasury could save money by inventing and introducing new forms of fund-raising instruments? The Bank of Italy has always been unenthusiastic about this: "The inventiveness of financial experts can do little to change the real aggregates and experimentation in this delicate field is not without risk." Dr Ciampi says.

The Treasury does not fully agree. It believes that with the right instrument the costs of servicing the debt could be reduced, and that every possible solution must be considered. One idea is for a zero-coupon bond—a bond on which no interest was paid out but on which, instead, the interest was accumulated at a variable rate to be paid out when the bond expired.

The bond would be attractive to anyone who wanted a capital gain but had no desire for income, while the Treasury would benefit from the lower cost of operating the bond issue and from the fact that it would not have to pay out any money until the bond expired.

But at present there are tax problems with the idea of a zero-coupon bond, which would have to be solved by the Ministry of Finance. And there is opposition to it from those who argue that once the politicians have discovered a way of not paying interest on debt, the urgency of finding a solution to the debt problem would diminish. "In the long run," as Keynes said, "we are all dead."

But the Treasury is not giving up. It hopes, when the time is right, to introduce a new instrument that represents a cross between a BOT and a CCT, blending the fixed and the floating rate note in a way that investors would find attractive.

But in the end every analysis comes back to the point that in a relatively free financial market the basic rules of economics cannot be circumvented. A government that spends too much and fails to take the virtuous path to financial rectitude, has no choice but to act in a way that makes its papers as attractive as possible to investors. All the suggestions for changing the way the debt system operates amount only to tinkering.

Able to borrow more and more

External Borrowings

PETER MONTAGNON


Rome office of the Bank of Italy, which has given repeated warnings on the level of the country's foreign debts

ITALY'S continoing current account balance of payments deficit bas made it one of the largest European borrowers on international capital markets in 1985.

According to figure compiled by Morgan Guaranty, Italian borrowers raised $8.77bn through international bank loans and bonds during the first nine months of the year.

This was more than double the $3.57bn raised in the same period of 1984, and among continental European borrowers was exceeded only by France, many of whose borrowers have been refinancing older debts.

So large bave Italy's foreign borrowing needs grown that warnings about the size of the country's foreign debt hava become almost perennial. Recently Mr Carlo Ciampi, Governor of the Bank of Italy, warned that net foreign dabt will reach $30bn this year, as the current account deficit widens tn L12,000bn from L5,200bn in 1984.

Intense competition for business among banks in the Euromarket, bowever, means that tha market can easily absorb Italy's loan demands. Banks are bungry for business not least because many other borrowers, including Spain, with which Italy has frequently bean compared in the past, are repaying their debts early.

As a result Italy has been able to borrow more and more this year on increasingly favourable terms. For example a recent loan of $70m and Ecu 50m in the Eurocredit market was oversubscribed even though it hore a margin of just ⅛ per cent over the London Interbank Offered Rata (Libor) for Eurodollars.

At the same time Italy's borrowing style has changed, as a wide range of new instruments becomes available in the international market.

Just two or three years ago Italian horrowers were principally orientated to tha syndicated loan market, largely because the country's credit rating was not perceived to be good enough for it to tap the bond markets to any great degree.

With the development of the floating rate nota market and the amergence of the Treasury itself as a borrower—it previously left borrowing up to the main state sector institutions—that has changed.

It was in October last year that the Republic launched its first ever issue in tha dollar floating rate note market. That bond raised $1bn and since then there have been several more, including a $500m issue in April this year.

At the same time Italy bas become more innovative in other markets. Recently, for example, the Treasury launched a SFr 300m, zero coupon bond, in the Swiss market, which carried a yield of 5.5 per cent. Italian horrowers sucb as ENEL, the state electric utility, have also raised money in the Euromarket which provides for the continuous sale of short-term notes backed by standby bank credit.

But it is for its role in developing the market in Ecus that Italy ia best known in the capital markets. Ecu borrowings appeal to Italy because the exchange risk is lower than borrowing dollars, and the interest cost lower than funding in lire at home.

Italy has always bad an almost ideological obsession with Ecu borrowing. On several occasions the Government bas launched large Ecu bonds carrying a fixed rate of interest, most of which have been sold domestically with a tranche reserved for foreign placement.

Many of the credits raised by Italian borrowers in the syndicated loan market are also denominated in Ecus and the Government itself floated an Ecu 300m floating rate note in September.

In an ironic twist, Italy is now also attracting the attention of borrowers as well as lenders. High local interest rates and the relative stability of tha currency have brought investor appeal to such issues and prompted the first ever Eurolira bonds this year.

Though the market in these issues is still very thin the European Investment Bank launched a L100bn issua in September, which was followed by a L50bn issue for United Technologies of the US.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday November 26 1985

Italy profits from big demand for non-callable paper

BY MAGGIE URRY IN LONDON

ITALY and Thailand both launched large floating-rate note issues yesterday at terms which traders regarded as tight. The issues of $500m and $300m respectively were led by Morgan Guaranty.

Terms for the Italy issue were set to reflect the shortage of non-callable paper in the market. Issuers have been steadily calling their floaters and replacing them with new deals at lower yields. As a result some non-callable issues have been trading at yields of less than London interbank offered rate (Libor).

This issue has a 15-year final maturity but is non-callable for seven years. After that both borrower and investor have annual options to redeem. This non-call feature is paid for in a coupon, to be set six-monthly, equal to the mean rate between Libor and the bid rate. Limean is usually 1/16 per cent lower than Libor.

The front-end fees total 50 basis points so that, though the coupon is below Libor, the return to investors, who buy at a discount, is a few basis points above. The bonds were bid at a 45 basis-point discount to the par issue price, equal to the level where co-managers own them.

Thailand's issue has a 20-year life with call protection for one year. Investors have put options after five, seven and 10 years and then annually. The coupon will be ⅛ per cent over six-month Libor, and fees total 32 basis points.

Some banks declined invitations to join the co-management group, saying the terms were too aggressive. The issue was moving slowly, though demand from the Middle and Far East was limited by public holidays. The bonds were bid at 99.70, within the gross fees.

A Y20.2bn dual-currency issue for SNCF, the French state railway company, was launched by Morgan Stanley. The 10-year bonds have an 8 per cent coupon and 101½ issue price. The redemption exchange rate was set at Y182 to the dollar. With most of the issue pre-placed in the Far East, there was little trading in Europe.

A Eurosterling floating-rate note was launched for Citicorp Finance by Citicorp International Bank. The £150m issue has a 12-year life and pays a coupon quarterly at 10 basis points over sterling Libor.

Fees total 25 basis points, and the bonds are non-callable for five years. The issue closed at 99.82 offered.

Continental bond markets were active yesterday. Three issues were launched in the Euro-D-Mark market. Most popular was a DM 100m deal from Copenhagen Handelsbank which has equity warrants. The bonds have a seven-year life with a 5⅝ per cent coupon and issue price of 105.

Each DM 1,000 bond has warrants to buy 11 shares at DKr 326 a share which can be exercised between March next year and March 1990. The banks' shares will be listed on the Frankfurt and Hamburg stock exchanges next year, to become the first Danish company on those markets. The bonds-with-warrants were trading around 114 yesterday. The issue was led by Commerzbank.

A floater for DG Bank, led by the borrower, was having a tougher time. The DM 300m 10-year issue has a maximum coupon of 8 per cent and pays interest at ⅛ per cent above three-month Libor. The issue was trading only just within the total fees of 25 basis points.

Deutsche Bank brought a straight issue for Hoesch International Finance, a subsidiary of the large West German steel company. This DM 100m issue has a 10-year maturity, a 7 per cent coupon and a 99½ issue price. The bonds were trading within the 1½ per cent selling concession.

In the Ecu market Banque Indosuez launched an Ecu 60m extendible issue for Heron International Finance, a subsidiary of the UK property group. After seven years the coupon will be reset for another five years, and there are put and call options. The coupon was set at 9⅝ per cent, and the bonds were trading within the 1⅛ per cent selling concession, at a one-point discount to the par issue price.

Another perpetual issue was launched in the Swiss franc foreign bond market. The SFr 150m deal, for New Zealand Railways, led by Kreditbank (Suisse) has a first coupon of 5⅜ per cent. It will be refixed every 10 years at ⅛ per cent above the mean yield in the foreign bond market.

In the secondary market Chesebrough Pond's SFr 150m 10-year deal traded for the first time, closing at 98, down from the 99½ issue price. The coupon is 5½ per cent.

● An international placing of 1m free shares in Saab-Scania, the Swedish car and truck manufacturer, has been arranged by Enskilda Securities and Dillon, Read.

Du Pont alters strategy with an eye on Europe

BY ANTHONY MORETON, TEXTILES CORRESPONDENT, IN LONDON

IN THE PAST seven days Du Pont has announced two investments in engineered non-wovens in Europe totalling almost $200m, representing a change of strategy for the US corporation.

Until now its policy has been to supply markets from its base in Richmond, Virginia. Now it is to get closer to the customer, especially in Europe, where it sees considerable growth for these products.

Last week Du Pont announced a $125m investment in Luxembourg for Tyvek, a spunbonded oleofin used to produce security envelopes, protective clothing, sterile medical packaging, sleeves for floppy disks and graphics.

Yesterday it added a £45m ($65m) investment for Kevlar, an aromatic polyamide (part of the nylon family), at its Maydown plant in Northern Ireland.

These two also involve not just a change of production strategy but also a change in marketing emphasis. "Wa have always been a low-profile company," said Mr Siegfried Wittauer, director, industrial fibres and engineered non-woven structures, at Du Pont International in Geneva.

"That is now changing. We have a turnover of $200m for non-wovens in Europe; much bigger than our competitors have believed. We are going to adopt a much higher profile in future."

That profile is changing in the US as well as Europe.

"The company has always had a very gentlemanly reputation," one London observer said yesterday. "It went about its work in its own way, keeping very much to itself.

"Partly, this was due to being terrified of the anti-trust legislation in the US, partly it was an attitude of mind.

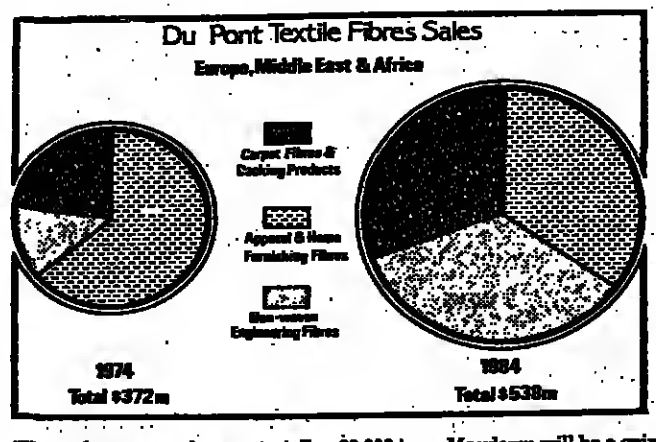
"This approach is now changing. New managers have come in with a more aggressive, more open approach."

Since the takeover of Conoco in 1981, the company has become one of the largest petrochemical concerns in the world, with annual sales of almost $36bn. Excluding oil, its $16bn chemicals-to-fibres side jostles with West Germany's Hoechst as the largest producer.

Both European investments just announced are very large in textile terms. At Luxembourg, 180 workers will be added to a workforce of about 1,100. At Maydown, there will be another 300 on the site which produces Lycra, the elastance substance that is the world leader for elasticated products, such as tights and swimwear.

The investments have been made because growth in non-wovens has been expanding rapidly in Europe, at about 8 per cent a year compared with 0 per cent in the US.

"We are fortunate in Du Pont," said Mr Mike Emery, Wilmington, Delaware-based director of the engineered non-woven structures division.



"If you have a good story to tell, the company will back it with money. It is now 10 years since the division made its last multimillion dollar investment, and the time gap speaks more eloquently than words how spending is carefully monitored within the company."

Until now, Du Pont has serviced its customers worldwide from Richmond. The Tyvek plant there has a capacity of 40,000 tons a year, and the Luxembourg works will increase that by about half.

With Kevlar the company has a polymer (or basic raw material) plant producing 30,000 tons a year in Richmond and an associated spinning plant capable of producing 20,000 tons. Maydown will be a spinning plant with a capacity of 7,000 tons.

All its polymer will be shipped in from Richmond.

"Annual sales of Kevlar in Europe have reached $50m," Mr Wittauer said, "and they are growing at 20 per cent a year.

"Wa shall begin work on the plant immediately and want it on stream by late 1987."

Both Kevlar and Tyvek are in the forefront of the search for new fibres. "A new era is beginning in fibres," according to Mr Donald Anderson, director of the British Man-Made Fibres Federation, in London.

"These new fibres will have totally different end uses from anything seen so far." He said the search was on for light weight and performance.

This is particularly true of composite materials where plastic is reinforced with fibres. Kevlar is not alone in this area; carbon fibres have been around for years.

Du Pont, though, is thought to have a big lead in the area. Enka, the German operating arm of the Dutch company Akzo, is building a plant for a similar composite in the Netherlands but has run up against patent laws.

Kevlar itself, introduced to the trade in 1971, has only really taken off in the last three years. Du Pont claims it is the world's strongest fibre and has the highest specific tensile strength of any fibre commercially available.

Its uses include bullet-proof vests, soldiers helmets, ropes and cables for the offshore oil industry and protective clothing. It has recently been developed as a replacement for asbestos in clutch and brake linings.

The two plants reflected a greater commitment to Du Pont's customers, Mr Emery said. "Wa are showing them we are fully committed to the products.

"This is very important because many of them have no other business than Tyvek, and we want them to feel comfortable with it, as committed to it as we are."

Tyvek will be marketed by the Swiss company DHJ Industries, of Zug, a subsidiary of Canadian Dominion Textile Group, and Britain's Wiggins Teape, a subsidiary of BAT Industries.

DHJ will look after envelopes, protective apparel and floppy disks. Wiggins Teape will handle graphics, tags and labels, sterile packaging and the construction industry.

"We have gone along this route," said Mr Wittaner "because the marketing of such a special product requires an unorthodox approach.

"The large diversity of existing and as yet undiscovered applications for Tyvek involves an ever-widening platform of direct and indirect customers spread all over Europe.

"This has led us to enlist the expertise and co-operation of two specialised companies which will, in turn, use a network of sub-distributors where appropriate."

After Europe, the next step will be Japan, which presents a different marketing problem from Europe because, while sales volumes for Kevlar are considerably smaller, the product is being used in specific production pockets.

Composites are particularly strong there though there is little chance of big defence spending.

But with the Tyvek plant at Richmond cutting capacity limitations, *Du Pont is thinking seriously about* the West Coast of the US and Japan for its next big moves.

Convergent, 3COM set to merge in $120m deal

BY LOUISE KEHOE IN SAN FRANCISCO

CONVERGENT TECHNOLOGIES, the Silicon Valley computer workstation manufacturer, has agreed in principle to merge with 3COM, a neighbouring local area network maker.

Under the terms of the proposed transaction each of 3COM's 14m shares, currently quoted at $8⅞, will be swapped for one of Convergent's shares, which opened yesterday at $9, placing the value of the transaction at approximately $120m. Current 3COM shareholders will own about 27 per cent of the new company. The merger is subject to final agreement

Analysts praised the proposed deal as a major step forward for Convergent, which along with other computer companies has suffered slow sales over recent months. Convergent posted net losses of $13.8m last year, following an ill-fated attempt to enter the retail personal computer market. For the first nine months of this year, the company returned net profits of $6.4m.

$75m credit for Fairchild

BY WILLIAM HALL IN NEW YORK

FAIRCHILD INDUSTRIES, the US aerospace company which has been hit by heavy losses on a joint venture with Sweden's Saab-Scania, has reached an agreement with a group of banks for a new $75m three-year revolving credit facility.

The company says the facility, when coupled with other recent actions, will enable it to "adequately support all existing operations."

Fairchild's earnings have slumped from a peak of $64.3m in 1981 to $1.4m last year.

US banks feel safer on home territory

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

TWO Philadelphia banks announced decisions to come to and go from London last week. The bank that came was Philadelphia National Bank, which set up a new merchant bank to complement its London branch. The one that went was First Pennsylvania, which said it was closing its London branch in February after 17 years.

Their motives illustrate the more hard-nosed approach taken by US regional banks to their overseas activities, now that the 1970s' headlong rush into international banking is over, if not yet reversed.

First Pennsylvania's planned departure attracted attention because it was the fourth regional US bank to close its London branch this year. The others were Wells Fargo of San Francisco, Comerica of Detroit and Centerre of St Louis.

All of them appear to have taken stock of their markets and decided that they would do better to concentrate on territory closer to home where the business is familiar and the costs lower.

While a London branch gives foreign banks a foothold in the international capital markets, it is less useful for those that are not engaged in dealing.

Mr Robert Cordell, manager of First Pennsylvania's London branch, said the bank had decided to "refocus its identity" as a regional bank in the US, and that made a London branch unnecessary.

The bank's London branch in any case dated back to happier days when First Pennsylvania was one of the largest banks in the state. In the late 1970s it ran into difficulty and had to be rescued by the US Government, after which it shrank dramatically in size. Although the bank has now fully recovered, the crisis hastened changes in strategy.

The sudden bunch of departures has raised questions about the readiness of other regional US banks to stay in London, particularly those for which an overseas branch has become more a source of prestige than profitable business. Some observers believe that now that a few banks have plucked up the courage to go, others will follow.

Certainly Mr Morris Dorrance, chairman of CoreStates, the parent of Philadelphia National Bank, does not see the opening of the London merchant bank – plans for which were first revealed in March – as a bid by the bank for international status. "We're still basically talking about Philadelphia," he said. CoreStates has $10bn in assets and is known especially for its correspondent banking and commercial lending activities.

The venture, with capital of £19m, is being started up mainly to add to the range of products the PNB offers to its middle-market corporate clients in the US. The bank felt it needed to provide a merchant banking-type service, and it was then a question of where to base it: New York, London or the Far East.

The bank settled on London mainly because that is where the people with the right *skills* are to be found, and where the regulatory climate allows banks to get deeply involved in securities business, unlike either the US or Japan.

"We will still make our bread back in the mid-Atlantic states," said Mr Dorrance. "But when you look at regulation, London is a more interesting place to be."

PNB's merchant bank will bring new US corporate names to the Euromarkets, but it does not intend to become a big dealer in those markets. The size of its activities, according to Mr Dorrance, will depend to some extent on how fast the parent bank expands back home.

This year's banking exodus suggests that the number of foreign banks in London may have peaked. According to this month's issue of The Banker, which keeps a tally of the foreign banking community, there are now 463, down from 470 last year. That is the first time the number has fallen since the magazine started keeping records in 1967. It gives mergers and international pressures as the main reasons.

INTL. COMPANIES & FINANCE

Spanish utilities to raise capital

By David White in Madrid

TWO of Spain's leading electrical utilities have announced rights issues for next month, taking advantage of the buoyant mood of Spanish stock markets.

The operations follow the conclusion of an agreement among companies in the sector on transfers of generating facilities and market shares. This has led to expectations of higher dividends as a result of the lifting of government restrictions.

Iberduero, the largest electricity supplier, plans to raise Pta 17.1bn ($107m) through a one-for-six issue, with subscriptions open from December 10 to January 10. The new shares, to be issued at Pta 375 each or 75 per cent of their Pta 500 par value, will increase the company's nominal capital to Pta 159.5bn from Pta 136.7bn.

Sevillana de Electricidad, number five in the sector, is likewise offering one new share for six old ones in a Pta 5.8bn operation. The shares are being offered from December 1 to 31 at Pta 300 each or 60 per cent of par, increasing nominal capital to Pta 57.9bn from Pta 58.1bn.

Shares of electricity companies are currently being traded at an average of almost 30 per cent above their levels at the start of the year, with Iberduero changing hands at 112 per cent of par and Sevillana at 84 per cent.

Esselte pushes profits up 15% to SKr 472m

By David Brown in Stockholm

ESSELTE, the Swedish office supplies, publishing and packaging group, reports a 15 per cent rise in profits after financial items for the first nine months to SKr 472m ($60m).

It predicts a 15 per cent rise for the full year in both sales and earnings, which were SKr 8.71bn and SKr 620m respectively in 1984.

Nine-month turnover climbed an adjusted 14 per cent to SKr 7.23bn. The bulk of group earnings is generated by Esselte Business Systems, the group's US subsidiary, which has invested heavily in graphic design and retail price labelling systems. It also acquired for $43m the Boorum & Pease office supply company earlier this year.

Esselte is also now building up cable television operations in both the Netherlands and Denmark, an exercise which is expected to involve "large costs" in the coming months. The group's Swedish subsidiary reported better than expected market conditions.

Swiss group to print Fortune

By John Wicks in Zurich

RINGIER, the Swiss printing and publishing group, is to start printing 150,000 copies of the American business fortnightly Fortune early next year.

The company will be responsible for distributing the magazine in Europe, the Arab world, Africa, south-east Asia and Australia.

Printing will take place at Ringier's large new capacity at Adligenswil, near Lucerne, where the 30,000 daily copies of the international edition of the newspaper USA Today will also be printed from May.

Ringier this week announced a joint venture with W.A. Krueger, of Scottsdale, Arizona, for the $225m takeover of W.F. Hall Printing, of Chicago.

The Swiss company last year entered into co-operatioo with Hall at a plant in Charlotte, North Carolina.

United Breweries lifts earnings and plans DKr 163m issue

BY HILARY BARNES IN COPENHAGEN

UNITED BREWERIES, Danish producers of Carlsberg and Tuborg beers, plans to increase capital by DKr 163m to DKr 814m ($85m) through a one-for-four rights issue priced at 105 per cent of par, the board announced yesterday.

The dividend for the year ending September 30 will remain at 15 per cent.

Net turnover, excluding excise taxes, increased by 9.7 per cent from DKr 7.83bn to DKr 8.59bn. New acquisitions, including the Royal Copenhagen china group and Union Cervecera, the Spanish brewery, accounted for a substantial part of the sales increase.

Group pre-tax profits were up by 1.9 per cent from DKr 660m to DKr 673m and net profits from DKr 321m to DKr 325m.

Parent company pre-tax profits were down from DKr 470m to DKr 449m, mainly as a result of a 10-week labour conflict at the Copenhagen breweries in the early summer, which hit output and sales in the peak period.

Group profits nevertheless advanced, chiefly owing to good results from the UK and Hong Kong breweries. Earnings were adversely affected by the results of newly acquired companies, said the directors.

The group consists of 32 Danish companies and 33 companies outside Denmark. Capital and reserves at the end of last year totalled DKr 3.02bn.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 25.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	100⅛	100⅝	+0⅛	+1	10.26
Amex Credit 10⅞ 00	100	103⅝	104⅛	−0¼	+0½	9.73
Atlant Richfld 10¼ 00	250	97¾	98¼	+0⅛	+0⅞	10.57
Australia Com 11¼ 00	100	105¾	106¼	−0¼	+1½	10.41
Australia Com 11 95	200	105¼	105¾	−0⅜	+1	10.05
BP Capital 11⅛ 00	150	104¾	105¼	−0⅛	+0½	9.98
Campbell Soup 10⅝ 95	100	103⅜	103⅞	−0⅛	+0¾	9.88
Canada 11½ 00	500	107	107½	0	+0½	9.35
Canadian Pac 10¾ 93	100	103⅞	104⅜	−0¼	+1	9.32
Canadian Pac 12½ 99	75	108½	109	−0¼	+0½	11.22
CEPME 10⅛ 01	100	100⅝	101⅛	−0⅜	+0½	9.91
Chevron U.S.A. 12⅛ 89	600	105⅛	105⅝	0	+0¼	10.47
Citicorp 10 88	200	101½	102	0	+0⅝	9.22
Citicorp 10⅛ 95	200	99¼	99¾	0	+0⅝	10.68
Coca Cola 11¾ 91	100	107¼	107¾	0	+0½	9.98
Denmark Kingdom 11⅛ 89	100	104⅞	105⅜	0	+0½	9.65
Denmark Kingdom 11½ 90	100	105⅜	105⅞	−0⅛	+0⅝	9.85
Denmark Kingdom 11½ 00	100	105½	101	−0¼	+0⅜	10.20
E.D.F. 10 95	225	98⅝	99⅛	0	+1¼	10.17
E.E.C. 9⅝ 90	350	99⅝	100⅛	−0⅛	+0⅜	9.63
E.E.C. 11⅛ 90	100	105⅜	105⅞	0	+0⅝	9.41
E.I.B. 12 95	200	109⅝	110⅛	−0⅜	+0⅝	10.29
Eli Lilly 10⅛ 92	150	102½	103	0	+0⅞	9.48
Export Dev Corp 10 90	100	101⅞	102⅜	0	+0⅝	9.37
Export Dev Corp 12 89	100	107⅝	108⅛	0	+0½	9.80
Fed Dep Stores 10⅛ 95	100	99¼	99¾	+0⅛	+0⅞	10.19
Ford Motor Cred 11⅜ 90	100	103⅜	103⅞	−0⅛	+0⅛	10.25
Ford Motor Cred 12 95	100	105⅞	106⅜	−0¼	0	10.90
Gen Elec Credit 10¾ 00	200	101⅞	102⅜	0	+0⅜	9.95
GMAC 10⅞ 88	200	101⅞	102⅜	−0¼	+0⅜	9.47
IADB 10½ 95	150	101¾	102¼	0	+1¼	10.15
IBM Credit 10⅜ 2000	300	†102½	103	+0¼	+0⅞	9.99
Kellogg Company 10⅛ 90	100	103⅞	104⅜	0	+0¾	9.60
Kellogg Company 11¼ 92	100	106½	108	+0⅛	+0½	9.94
L.T.C.B. 12⅞ 91	100	111⅝	112⅛	−0⅛	+0¾	10.11
Macy Cred Corp 11¾ 95	100	†102⅜	102⅞	−0¼	+0⅜	11.26
Mitsui Trust 11⅜ 90	100	105	105½	−0⅞	+1	10.10
Nippon Cred Bk 10⅜ 95	150	101⅜	101⅞	−	−	10.36
Pillsbury Co. 10¼ 93	100	98½	99	−0⅜	+0⅜	10.48
Pru Realty secs 12⅛ 95	546	108½	109	+0⅛	+0⅝	10.57
Qantas Airways 10⅝ 95	140	101⅜	101⅞	0	+1	10.38
Quebec Hydro 11½ 92	100	107¼	107¾	−0⅛	+0½	9.96
Queensland Govt 10¼ 95	100	99½	100	0	+0⅞	10.28
Ralston Purina 11¾ 95	150	106⅛	106⅝	−0¼	+0⅞	10.62
Ralston Purina 12¾ 89	100	108⅝	109⅛	−0⅛	+0⅜	9.87
Saskatchewan 10⅜ 92	100	104⅛	104⅝	−0⅛	+0⅜	9.76
Saskatchewan 11¼ 89	100	107½	108	+0¼	+1⅛	9.44
Statoil 10 90	170	101	101½	−0¼	+0½	9.68
S Wales Trsy 11¾ 00	150	106½	107	0	+0⅞	9.76
Swed Exp Cred 10 00	100	100¾	101¼	0	+1⅛	9.76
Swed Exp Cred 12¾ 89XW	100	108	108½	−0¼	+0⅝	10.00
Sweden Kingdom 10⅞ 90	200	104¼	104¾	−0⅛	+0⅞	9.56
Sweden Kingdom 11½ 89	200	105⅜	105⅞	+0⅛	+0¾	9.45
Sweden Kingdom 11¾ 94	100	108	108½	−0⅛	+0¾	10.20
Tenneco Corp 10¾ 95	150	101⅞	102⅜	−0⅛	+1	10.37
Texaco Capital 10 95	300	93	93½	+0½	−1⅝	11.06
Texaco Capital 11⅛ 95	250	103½	104	+0¼	+0⅞	10.46
United Tech Fin 10⅝ 95	100	101	101½	+0⅛	0	10.40
Victorian Rep 11⅛ 92	150	106⅛	106⅝	0	+0¾	10.12
World Bank 10⅛ 95	300	100⅛	100⅝	−0⅜	+1	10.08
World Bank 12⅞ 94	200	114½	115	+0¼	+0⅞	10.23

Average price change On day 0 on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	105½	106¼	+0⅛	+0⅞	7.07
Austria Republic 7⅝ 94	200	103⅞	104⅝	0	+0⅜	6.95
Baxter Travenol 7¼ 94	200	101⅝	102⅜	+0⅛	+1⅛	6.92
Copenhagen 7⅜ 95	150	99⅞	100⅝	0	+0¼	7.33
Credit National 8⅜ 94	200	105⅞	106⅝	+0⅛	+0½	7.09
EIB 7¼ 94	300	101⅜	101⅞	0	+0⅞	7.00
Escom 8 92	150	93⅝	94⅜	0	−0¾	9.27
Ex-Im Bk Korea 7⅜ 90	100	100	100½	0	0	7.54
Ferrovie Dello Stato 8 91	100	103⅝	104⅜	0	−0⅛	7.06
Finland Republic 7 92	200	100½	101¼	0	+0¼	6.82
Gould Int Fin 7⅝ 91	100	101⅞	102⅜	+0⅛	+0¼	7.10
Ireland 8⅜ 92	150	103⅞	104⅝	0	+0⅛	7.26
Japan Fin Corp 7⅜ 91	100	103	103¾	0	+0¼	6.67
Mitsubishi Hvy 3½ 89WW	300	161¾	162¾	−0¾	+11	−10.87
Mitsubishi Hvy 3½ 89XW	300	91	92	+0⅜	0	6.39
Mitsubishi Met 3⅛ 89WW	100	105½	106½	−0¼	+0¾	1.59
Mitsubishi Met 3⅛ 89XW	100	90⅛	91⅛	+0¼	+0⅜	6.06
Quebec Hydro 7⅜ 95	200	101¾	102¼	−0¼	−0¼	6.93
Renfe 7¾ 95	100	101¾	102¼	−0⅛	+0¼	7.29
Soc Cent Nuclear 7⅞ 95	150	101½	100	0	0	6.99
Societe Cent Nuclear 8 91	100	105	105¾	0	+0⅛	6.80
Sth African Tran 7⅝ 00	100	92⅞	93⅝	0	−0⅝	8.97
World Bank 7 95	600	100½	101	0	+0⅝	6.88
World Bank 7⅝ 88	100	102⅝	103⅜	0	−0½	6.67

Average price change On day 0 on week +1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅝ 94	130	†101¼	101½	−0¼	+0¼	5.10
Brit land Comp 6½ 99	75	†105	105¼	+1	0	5.85
Council of Europe 6 00	120	†102½	102¾	+0½	−0⅛	5.54
Creditanstalt 5⅞ 94	100	†100	100¼	+0¼	+0¼	5.48
Deutsche Bk Fin 5⅜ 95	100	†102½	103	−0⅛	−0⅜	4.99
E.I.B. 5⅝ 94	120	†100⅛	100½	+0¾	+0⅝	5.53
Gen Occidentale 4⅞ 94	80	†103	103¼	0	−0¼	4.88
Glendale Fed.S&L 5⅞ 95	100	†98	98¼	+0½	+0¾	5.75
Ind Fund Fin 5⅝ 94	40	†101	101¼	0	+0¾	5.58
Int-Am Dev Bk 6⅛ 94	120	†103	103¼	0	−0½	5.67
N.Zealand steel 5¾ 96	70	†101	101¼	0	+1¼	5.61
Oberos Kitwk 5⅝ 95	100	†100⅛	100¾	+0¼	+1	5.28
Olivetti Intl 5½ 95	100	†101	101¼	+0¼	+0¼	5.34
Pepsico 5¾ 95	130	†101½	101¾	0	+1½	5.52
Ralston Purina 5⅝ 94	125	†101¾	102	−0¾	+1	5.11
Santos Finance Ltd 6 94	130	†100	100¼	0	+0¼	5.98
Tokyo Elec Pwr 5½ 93	120	†101	101¼	−0¼	0	5.30
Tokyo Metropolis 5¼ 94	90	†101	101¼	−0¼	0	5.09
World Bk 5¾ 94	150	†101¾	102	+0¾	0	5.48

Average price change On day +0⅛ on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat Tele. 6¼ 00	25	97⅛	97⅝	+0¼	+1⅞	6.73
Gdyr Tr & Rubber 7⅛ 95	25	100⅝	101⅛	+0¼	+1½	6.99
Mort Bk Denmark 7 00	10	99⅝	100⅛	+0⅛	+1⅝	7.01
New Brunswick 7⅛ 95	10	99¾	100¼	+0¼	+2⅞	7.12
Swed Exp Cred Zero 90	14	71⅞	72⅜	+0⅛	+0⅜	6.90

Average price change On day +0¼ on week +1½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅝ 90A$	50	92¼	92¾	−	−	14.82
Creditanstalt 12⅞ 90A$	50	98⅜	99⅜	−	−	13.17
Pepsico Cap. Res. 13 90A$	50	101⅝	102⅝	+0¼	+0⅛	12.36
Swed. Export Cred 13 88A$	40	94⅜	95⅜	−	−	15.38
Amex 10¾ 00 C$	50	101½	102	0	+0⅞	10.22
Canadian Pac 10⅝ 00 C$	75	99⅝	100⅛	0	+0⅞	10.39
CIBC 10¾ 00 C$	75	†102	103½	−0¼	+0¾	9.86
Genstar Fin 11¾ 95 C$	75	101½	102	0	+0⅝	11.41
Montreal 11½ 95 C$	75	104¾	105¼	0	+0½	10.62
Sears Acc. Co 10⅝ 92C$	75	†98⅛	98⅝	0	+0¾	10.98
Winnipeg City 10⅝ 90C$	50	100	100½	−0⅛	+0¾	9.59
Chrysler Fin Corp 17 90NZ$	65	91½	92½	−0¼	0	19.46
K.O.P. 16¾ 91 NZ$	50	90¼	91¾	+0¼	+0½	18.99
Kredietbank Lux. 17 88 NZ$	70	100⅜	101⅜	−0⅛	+0⅜	16.52
B.N.P. 8¾ 95 ECU	75	98½	99	0	+0⅛	8.98
IBM Wld Trade 8¼ 90ECU	150	100⅞	101⅜	+0⅛	+0⅛	7.98
Sec Pac Aust 8¾ 90 ECU	100	98¼	98¾	0	0	9.14
Honda Motor WW 3¾ 90FL	100	103	103½	−0¼	+0⅜	3.06
Honda Motor XW 3¾ 90FL	100	88⅞	89⅜	0	+0¾	6.38
Thyssen 7¼ 00 FL	50	100⅞	101⅜	0	−0⅛	6.46
Wereldhave 7½ 90 FL	75	101½	102	−0¼	−0¼	7.03
Wessanen 6¾ 90 FL	50	99½	100	+0⅛	+0½	6.83
Mobil Corp 11⅛ 90 FF	500	103⅜	103⅞	0	+1¼	10.12
Australia Comm 11 92£	40	99⅝	100⅛	+0⅜	+1	11.00
BP Capital 10¾ 92£	50	100	100½	+0⅜	+0¾	10.65
E.I.B. 11⅛ 93£	50	99⅞	100⅜	+0¼	+1	11.07
GMAC UK Fin 10½ 90£	30	98¾	99¼	+0¼	+0¾	10.75
Imp Chem Inds 11¼ 95£	75	100¼	100¾	+0⅜	+0⅝	11.15
Imp Chem Inds 10¾ 92£	75	97⅞	98⅜	+0¼	+0¾	11.14
Mcdonalds 10⅞ 90£	40	100¾	101¼	+0¼	+0½	10.56
Mitsubishi Fin HK 11 90£	50	99⅝	100⅛	+0⅜	+1	10.99
Privatbanken 11⅞ 92£	20	100½	101	+0⅛	+0¼	11.67
Rank Xerox 11 92£	40	97¾	98¼	+0⅜	+0¼	11.43
Royal Ind 10¾ 92£	60	97⅜	97⅞	+0⅛	+0⅝	11.25
Ster Drug Cap 10⅞ 90£	30	100	100½	+0½	+1	10.76
Tricentrol XW 11 92£	35	95¾	96¼	+0⅛	+0⅜	11.98
Tathouse Forte 11⅛ 90£	50	99½	100	+0¼	+0⅞	11.16
World Bank 11¼ 95£	100	100¾	101¼	+0⅜	+0⅞	11.05
C.O.E. 8¾ 95LF	600	99½	100½	0	0	8.87
Nat Lux Alum 10½ 92LF	600	104	105	0	+0⅛	9.35

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99½	99¾	15/1	11⅜	11.42
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅛	30/12	8⅛	8.13
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.46	8.44
B.F.C.E. 5¼ 90	0⅛	100⅛	100⅜	13/12	8¾	8.73
B.N.P. 5¼ 95	0	101¼	101½	10/1	5¼	5.18
B.N.P. 5¼ 95 (July)	0⅛	99⅞	100⅛	22/7	8¼	8.25
B.N.P. 5⅛ 99	0⅛	100	100¼	5/5	5¼	5.24
Britannia 5 90	0⅛	99⅞	100⅛	8/1	5	5.00
C.C.F. 5¼ 97	0	99¾	100	28/10	8.19	8.20
Chase Man'tn 5¼ 2009	0⅛	100	100½	5/12	8.44	8.42
Citicorp 5 2035	0	99⅜	99⅝	27/11	5	5.03
Credit Lyonnais 5¼ 96	0⅛	100¾	101	11/10	9.69	9.60
Credit Lyonnais 5 00	0	100	100½	10/1	5	4.99
E.E.C. 5 90	0	99⅝	99⅞	8/1	5.06	5.06
E.N.E.L. 5 00	0⅛	100	100¼	7/3	5	4.99
Ireland 5¼ 97	0	100	100¼	28/2	8.44	8.43
Lloyds Bank Perp	0⅛	100	100½	9/12	8	7.98
Man. Hanover 5 92	0	99⅜	99⅝	22/11	5	5.03
Midland Bank Perp §	0⅛	100	100½	19/12	8⅛	8.10
Nat West Perp A 5¼ §	0⅛	100	100½	5/1	8¼	8.23
Nat West Perp B 5¼ §	0⅛	100⅛	100⅝	19/2	8.01	8.00
Royal Bk Scotland 5 Perp	0⅛	99⅞	100⅛	12/12	5	5.00
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.69	11.78
Societe Generale 5¼ 97	0	100⅛	100⅜	18/3	5¼	5.24
United Kingdom 5 92	0	99⅞	100⅛	7/7	5	5.00

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	126	127	−0⅛	7.41
Comcast 7 2000	12/85	23.875	†107½	108½	−0⅜	30.56
Fanuc 3¾ 95	1/84	7032.3	200⅛	202⅛	−0⅜	60.40
Fuji Hvy Inds 3 2000	8/85	676	96⅛	97⅛	−1¼	−1.84
Fujitsu 3 99	5/84	1320.0	97⅞	98⅞	−1¾	10.81
Kumagai Gumi 3⅛ 2000	3/85	600	177	178½	+4⅜	13.35
Marui 3½ 99	7/84	1162	153⅛	154⅛	−0½	−0.63
Mitsubishi Bank 2⅝ 00	8/85	1768	98¼	99½	0	−2.36
Mitsubishi Elec 2¾ 00	3/85	422	103⅝	104⅝	+0¼	−2.87
Murata 3½ 2000	7/84	2390	119⅛	119⅞	−3¼	14.79
Nippon Elec 2⅞ 2000	1/85	1295	116⅜	117⅜	−2⅛	52.39
Nippon Oil Co 3 2000	5/85	923	107⅛	108⅛	+1⅜	0.99
Oki Elec Ind 3½ 99	10/84	805	103⅝	104⅞	−0⅝	0.18
Sekisui House 3 99	6/84	912	165⅞	167⅞	+2⅛	3.00
Sumitomo Bank 2¾ 2000	3/85	2142	95⅛	96⅛	−0⅝	3.72
Sumitomo Corp 2¾ 99	5/84	593	133⅝	134⅞	+0¾	−1.18
Taiyo Yuden 3⅛ 2000	3/85	1078	†106	108	+3	−5.89
Takeda Riken 3⅛ 2000	10/84	7963	†95	97	+0½	3.87
Tokyo Sanyo Elec 3½ 99	12/84	772	95⅝	96⅞	−0¼	−3.70
Toshiba Ceramics 3 2000	4/85	1734.2	98⅜	99⅝	+0¾	2.05
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†101½	101¾	0	22.94
Nippon Shinpan Co 2 00 SF	3/84	801	†114¼	114½	0	12.77
Asics 5 00 DM	12/83	520	109⅞	110⅛	−0⅛	19.98
Renown 3⅛ 90 DM	2/85	875	107⅛	108⅛	−0¼	−3.56
Sum Realty 6⅛ 92 DM	2/83	338	†390	399	+2¾	−1.82

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

North American quarterly results

HIRAM WALKER RESOURCES
Oil, gas, distilled spirits

Year	1984-85 C$	1983-84 C$
Revenue	3.77bn	3.65bn
Op. net profits	262.0m	229.0m
Op. net per share	2.39	2.32

UNIROYAL
Tyres, chemicals, plastics

Third quarter	1985 $	1984 $
Revenue	503m	557m
Op. net profits	†6m	27m
Op. net per share	†0.26	0.74
Nine months		
Revenue	1.57bn	1.60bn
Op. net profits	38m	*84m
Op. net per share	1.00	2.36

† Loss * before $57m extraordinary loss

LOWE'S COS.
Building materials retailer

Third quarter	1985-86 $	1984-85 $
Revenue	549.0m	447.7m
Net profits	15.6m	17.7m
Net per share	0.43	0.49
Nine months		
Revenue	1.55bn	1.31bn
Net profits	48.4m	50.9m
Net per share	1.33	1.41

WICKES COS.
Retailing

Third quarter	1985-86 $	1984-85 $
Revenue	1.47bn	781.3m
Net profits	15.4m	4.3m
Net per share	0.05	0.30
Nine months		
Revenue	3.01bn	2.29bn
Op. net profits	19.7m	5.6m
Op. net per share*	0.04	0.43

* Shares outstanding: 95.5m (14.4m)

INTL. COMPANIES & FINANCE

Bank debt moratorium for troubled Pan-Electric

BY CHRIS SHERWELL IN SINGAPORE

THE MONETARY Authority of Singapore (MAS), the island state's powerful financial regulatory agency, has persuaded the 30 bank creditors of Pan-Electric Industries, a quoted company unable to pay S$400m (US$191.2m) in debts, to agree to a moratorium on their loans.

The shares of Pan-Electric were suspended last Tuesday, along with those of Growth Industrial Holdings, which has a 31.6 per cent stake in the company, and Sigma International, which holds 22.6 per cent. The previous day it had failed to honour a S$7.5m debt repayment.

Pan-Electrical's troubles have raised the spectre of a collapse which would hit several other quoted companies. Even with the ootlioe of a rescue plan agreed, many fear certain broking firms cannot avoid financial difficulty because of their Pan-Electric share dealings.

Some banks are already said to be terminating lines of credit to brokers, and questions are now being asked about many of the lending and share dealing practices which lie behind the crisis that has engulfed Pan-Electric.

Another worry which has surfaced concerns the public offer of shares by Singapore International Airlines (SIA), the country's national flag carrier. Subscriptions by Singapore applicants close tomorrow, and local sentiment has been dampened significantly by the Pan-Electric affair.

It has not gone unnoticed that Mr Joe Pillay, SIA's chairman, in his other capacity as managing director of the MAS, chaired the 11-hour meeting on Saturday which saw a course of action agreed between a steering committee of the bank creditors, representatives of Pan-Electric and Mr Tan Koon Swan, the Malaysian entrepreneur behind Sigma International.

Pan-Electric's bank creditors were told at a meeting yesterday that the Saturday agreement was not negotiable and were given a clear indication that they were expected to accept it promptly and without argument. They did, and the steering committee went back into session last night.

Apart from the indefinite moratorium, the agreement is also believed to include an immediate lowering of interest charged to Pan-Electric on the banks' outstanding loans. In the meantime sums are now to be injected into Pan-Electric from an unspecified source to keep the company going.

The next step is to let in accountants from Price Waterhouse to scrutinise Pan-Electric's books and report back. Only then will a financial restructuring arrangement be negotiated, and that could take several weeks.

Elec and Eltek falls into the red

BY DAVID DODWELL IN HONG KONG

ELEC AND ELTEK, the Hong Kong electronics group which went public with much fanfare 18 months ago, yesterday reported losses after extraordinary items of HK$ 133.5m (US$17.1m) for the year to June.

The losses, which compare with profits of HK$ 122m for the previous year, were due to the depressed state of the US eectronics market, inadequate marketing strength in the US, and delays in approval for a new cordless telepmone, Mr David So, the group's chairman, said yesterday.

Elec and Eltek's sales fell from HK$ 547m in 1983-84 to HK$ 301m in the year just ended. On top of operational losses of HK$ 70m, the company had to make a HK$ 62m provision for unsold stocks thought to amount to about three months' production.

When Elec and Eltek mounted its public flotation in February last year, the offering was an unprecedented 83.4 times oversubscribed. Shares issued at HK$ 3.80, but have since slid HK$ 2 apiece rapidly rose to to less than 27 cents.

Efforts to return the group to profit include new products, including a multi-language computer terminal, a credit card pay telephone, and a pocket-sized cordless telephone, Mr So said. The group is also trying to diversify from the depressed US market into mainland China, Japan and Europe.

Sabic well ahead at nine months

BY FINN BARRE IN RIYADH

SAUDI ARABIAN Basic Industries Corporation (Sabic), has announced that its earnings for the first nine months of 1985 jumped by 137 per cent from the same period of the previous year, a rise which it attributed largely to new petrochemicals plants being brought on stream.

Earnings of SR 81.4m ($22.3m) were further enhanced by a carryover from 1984, to reach total profits so far of SR 105.7m. Profits for the same period in 1984 were SR 34.4m.

Earlier this year 30 per cent of Sabic was offered to the public in a share flotation which was well oversubscribed.

An unofficial balance sheet shows current assets including cash, deposits, and inventories, up by 23 per cent to $1.04bn. Investments and advances increased by 9 per cent to $152.3m, while other assets rose by 31 per cent to $575.3m.

Sabic gave the value of its plants at $2.43bn. The value of projects under construction fell 26 per cent to $1.53bn, reflecting the completion of work commenced in previous years.

The company is due soon to sign a construction contract for the Saudi European Petrochemical Company. The plant, a joint venture with Enichem of Italy and Neste of Finland, will manufacture butane and methyl tertiary butyl ether, an octaine-enhancer used in unleaded petrol.

Sabic manufacturers polyethylene, methanol and other basic petrochemicals as well as iron and steel, and is at the forefront of attempts to industrialise Saudi Arabia. Most of its projects are undertaken as joint ventures.

Indonesian farm-out by CRA

By Kenneth Marston, Mining Editor

CLAREMONT PETROLEUM and New Zealand Goldfields are buying into two of CRA's gold interests in Kalimantan, Indonesia—principally the Kelian River discovery in East Kalimantan with an estimated ore resource of over 30m tonnes grading between 2.5g and 3.5g gold per tonne and suitable for open-pit mining.

The farm-out will leave CRA with 58.5 per cent. Claremont 22.05 per cent, and NZ Goldfields 9.45 per cent. The remaining 10 per cent will still be held by PT Buana Jaya Raya Jakarta Mining, CRA's Indonesian partner.

The other interest being farmed-out is an exploration programme over an area of 10,000 sq km in central Kalimantan. The new ownership is CRA 65 per cent, Claremont 24.5 per cent, and NZ Goldfields 10.5 per cent.

Claremont is paying US$12.3m (£8.5m) for its interest in the two ventures to diversify into gold from oil and gas. The company proposes to raise A$51.6m via a one-for-one rights issue.

Name change for Amad

AUSTRALIA'S Amad is changing its name to Normandy Resources as part of its move from being an exploration company to one providing venture and development capital to the mining and energy industry.

A major step in the restructuring is the acquisition of a 16.5 per cent stake in Brunswick Oil, which owns the Galtee More gold prospect in the Mount Magnet area of Western Australia. This is expected to reach production on an open-pit basis in March at an annual rate of 35,000 oz to 40,000 oz of gold.

Open-pit ore reserves are estimated to be sufficient to supply the new 200,000 tonnes per annum mill for up to three years. Thereafter operations will go underground, but at a much reduced tonnage.

The open-pit gold recovery grade is put at about 6 grammes, but break-even costs have been assessed at a grade of 4.5g and a gold price of A$350 per ounce; the price is currently around A$480.

Brunswick's petroleum properties have been sold and the latter's 17 per cent stake in Churchill Resources is also expected to be divested. Meanwhile, Amad has sold its stake in Aztec Exploration and raised A$2.75m via a share placement and rights issue.

Austwhim share issue fully subscribed

Austwhim Resources' A$17.5m (£8.14m) share issue has been fully subscribed. On completion of the issue Whim Creek Consolidated will have a 36 per cent holding in Austwhim which, in turn has agreed to purchase 3m share options in the dividend-paying Whim Creek from Northgate Exploration. Austwhim expects to produce over 31,000 ounces of gold a year, starting in early-1986, from its two Western Australian gold deposits.

Western Collieries

Western Collieries, a wholly-owned subsidiary of CSR, reports that it has signed a A$1bn (£465m) contract to supply steaming coal to Western Australia's State Energy Commission. The commission will take 26m tonnes of coal over 20 years with an option to buy an extra 12m tonnes.

JAPANESE RESULTS

C. ITOH & CO.
TRADING

Half-year to	Sept '85 Y	Sept '84 Y
Revenues (bn)	7,761	6,750
Pre-tax profits (bn)	17.00	11.80
Net per share	4.52	2.91
Net profits (bn)	4.10	2.52
Dividend	2.50	1.50

PARENT COMPANY

MARUBENI
TRADING

Half-year	Sept '85 Y	Sept '84 Y
Revenues (bn)	7,205	6,181
Pre-tax profits (bn)	20.30	11.84
Net profits (bn)	5.60	3.13
Net per share	6.10	3.40
Dividend	2.50	9.50

PARENT COMPANY

SUZUKI MOTOR
CARS, MOTOR CYCLES

Half-year to	Sept '85 Y	Sept '84 Y
Revenues (bn)	344	272
Pre-tax profits (bn)	10.57	7.52
Net profits (bn)	4.07	3.09
Net per share	13.72	10.44
Dividend	3	3

PARENT COMPANY

Rand London recovers

BY JIM JONES IN JOHANNESBURG

RAND LONDON, the South African mining affiliate of Burnet and Hallamshire of the UK, maintained its profit recovery in the six months to September, largely because of increased sales of anthracite and improvements in operating efficiency.

First-half turnover rose to R46.7m ($17.9m) from R27.0m and pre-tax profits jumped to R6.6m from R262,000.

The directors say that the coal division benefited from greater anthracite market penetration and improved efficiency following the upgrading of plant and equipment.

First-half earnings were 3.6 cents a share against nothing in the first half of last year. Preference dividends remain in arrears and the directors say the company is in no position to declare an ordinary dividend.

● Lower operating income and higher depreciation and finance charges combined to push Union Steel, the South African steelmaker, into a loss in the year to September. Operating income dropped to 5.1m from R28.2m and an attributable loss of R19.5m was made against a profit of R14m.

The directors say the deterioration was due mainly to a 17 per cent decrease in domestic steel sales.

A loss of 69.3 cents a share was suffered against the previous year's earnings of 46.9 cents. An ordinary dividend has not been declared.

TECHNOLOGY

EDITED BY ALAN CANE

Geoffrey Charlish analyses options available to businesses for electronic data communications

Crucial decisions on company networks

LARGER COMPANIES, faced with new technology, liberalisation and regulation are having to make some of their most cruciol decisions to date in providing electronic communications between their own, their customers and their suppliers' sites.

The GPO, then Post Office Telecommunications and finally British Telecom, always with aome snrplus long distance capacity, have offered leased lines for several decades, allowing companies to build up their own networks as an alternative to large-seale and often expensive use of the public network.

Today, with an accelerating change to digital transmission, the need to send various kinds of data as well as speech and the ending of the state monopoly, the problem has dimensions unimaginable a few years ago.

Engineering specialists with knowledge of digital telecommunications, the workings of BT and Mercury and current government regulations, are very much in demand.

Mr John Kelly, chairman of the Telecommunications Managers' Association, says he has members earning £85,000 a year. The figure raised distinct andience murmurs when he revealed it at Public Versus Private Networks, an Oyez conference recently staged in London.

The association has 300 of the

As BT and Mercury extend their interests beyond the mere provision of carrier services, confusion has arisen between the use of "public" and "private" in networking.

UK's most aignificant telecoms users in membership. They operate 650 corporate networks representing between £800m and £1bn of investment, most of it in financial institutions, energy, chemicals and services. The networks link 1m telephones and allow 300,000 data, text and facsimile terminals to communicate.

With liberalisation, others, including BT and Mercury, have eyed this "do it yourself" market with interest. As they extend their interests beyond the mere provision nf national carrier services, aome user confusion has naturally arisen between "private" and "public" in networking.

At the moment there are still two basic choices for the user. He can rely entirely on the public switched network services provided by BT and Mercury, now known as public telecoms operstors, or PTOs.

Alternatively, he can construct a private network around PTO-provided services, with limitations on the amount of traffic that can be diverted from the public network to his private lines.

A third option will be the managed data network (MDN), where an operating company set up for the purpose offers to arrange, operate and maintain a private network exactly suited to the user's needs, using PTO lines and switches.

John Kelly, Telecommunications Managers Association chairman: specialists are in demand *Hugh Routledge*

The Trade and Industry Department is still elaborating its policy over managed networks, of which an example was the rejected BT/IBM system for retailers.

The MDN is an extended form of Van, or value added network. The Van supplies a specific service, for example, Prestel and the electronic mail services. An MDN, however, provides a general service network, and there is some PTO concern about diversion of public traffic.

A Trade Department decision about MDNs is expected by the end of the year. Dr John Compton, a director of Oftel, believes licensing initially will be limited to data, since relatively little is carried on the public switched networks and its large-scale transmission on MDNs is unlikely to greatly affect PTO switched network revenues.

He also forsees a change in the Van licence so that, if voice is added to a message, the price must at least equal that charged to the public network.

Mr Bill Medcraft, acting managing director of BT National Networks, thinks the public versus private debate will become extinct. He thinks BT and Mercury will compete for the core national network business as a matter of course, but points out that both are also committed to private, as well as public services. He says that there are plans to lease segments of PTO exchanges as well as lines.

Many others, he predicts, including BT, will compete to supply managed networks.

One of the PTOs' worries about managed networks is the prospect that communications capacity will be directly re-sold, affecting their revenue, and this also is under discussion at the Trade Department.

Mr David Harmer, commercial network manager at Mercury Communications has a clear enough view. He believes licensing managed networks "is most obviously an effective legalising of resale of PTO carrier capacity for data transmission and 'non-live' voice services." The Government, he feels, might just as well legalise re-sale as soon as possible.

'Licensing managed networks is most obviously an effective legalising of resale of public operators' capacity for data transmission and non-live voice services'

He advocates complete liberalisation by the end of 1986. Mercury does not believe that defining new types of network (like the MDN) serves any useful purpose.

His view about private networks came in the form of a question: "If I could give you on the public network a service that was more reliable, more available, more resilient, of at least equal quality, at much lower cost than your private network, and with no noticeable call set-up time, could any one justify creating a new private network?"

General-service Van aims for a broad appeal to all sectors

INTEGRATED BUSINESS Communications of Windsor, a two-year-old company specialising in computer communicatinns, has launched a general service valned-added network (Van) based on 11 Sperry communications processors distribnted throughout the UK.

A Van is a network offered by an operating company that uses British Telecom or Mercury lines and switches but adds processing and software to provide a business data communications service to its customer.

Many Vans have been set up since liberalisation to provide services for specific areas of commerce and industry. But the IBC offering, called Key, is for general business data transmission and at first glance seems similar to the basic services provided by BT and Mercury.

The essence of the Van however, in the present definition, is that the data it handles should be stored, processed significantly upon, or be multi-addressed over public or private lines or combinations of the two.

Some confusion has arisen because, given liberalisation, BT itself is able to offer valne added services, based on its own national networks.

A further variant, the so-called managed data network has appeared where specialist communications companies—and BT and Mercury—want to supply and operate complete systems for a company and its customers and/or suppliers; all they do is use it, without any of the problems of set-up, operation and maintenance.

Meanwhile Key has been started, although Mr Don Atkinson, IBC chairman, agress the network could be affected if licensing conditions are changed as a result of the Trade Department's pronouncement on networking.

Key has much to offer. The minimum needs for a user are a personal computer with a suitable communications interface, a modem (telephone line transmitter-receiver for data) and a telephone. The user "just dials in to Key and transmits."

Key, it is claimed, allows PC users, or terminal users on larger computers, to exchange information, screen to screen, via the 11 Sperry communications processors under the control of a mainframe computer at Aylesbury.

Key also gives the users access to an electronic mail service, to Prestel, and to specific services in insurance, banking, the motor trade and other areas.

Dial-in users pay an annual subscription of about £100 and an honrly connect charge. Leased line users pay by the year.

Mr Atkinson said: "While there are a number of specialised Vans catering for certain sectors of business, the future lies in full service, full facility Vans with a broad appeal to all areas of business and industry, which enable users literally to communicate with anyone both in the UK and abroad."

TV 'not main cause of falling cinema audiences'

Video & Film

BY JOHN CHITTOCK

ONE SUBSTANTIAL by-product of the video and television revolution has been a surge in market research — a lust for information about the viewing habits and needs of the public.

Examples in the UK alone this year include publication of a study for the Cinema Advertising Association — with the exotic acronym of Caviar (Cinema and Video Industry Audience Research), and more recently an investigation for the British Videogram Association into video viewing.

Since television is popularly regarded as the cause of the cinema's decline, it may seem rather poignant that the latest study into the audience for film has just been completed by the Broadcasting Research Unit — with such hnrrifying statistics as "74 per cent of the adult population did not go to the cinema last year."

Yet the moin conclusions of the study suggest that the technology of video and television is less responsible for the decline of the cinema than changing social patterns. That may seem ironical to those who received in the mail last week news of another study to be undertaken for the European Commission on the impact of new communication technologies on the media industry in the EEC countries.

That inquiry — by Vrije University in Brussels — will seek answers to a whole range of subjects such as high definition television, video discs, viewdata, teletext, cable television, newspapers, and of course the cinema. The project implies that technological developments will influence social change, whereas the BRU's findings suggest that social change has encouraged technological developments.

The BRU argues that the rise in numbers of television licences in Britain statistically could account for only two-thirds of the cinema's decline — and that most defecting cinemagoers were young people who were not committed to television. They correctly point out that in the US — where cable television has reinforced the challenge of broadcasting — cinema attendances have remained fairly stable.

The BRU helieves that people are deserting the British cinema because of great changes in our social fabric—more comfortahle bomes, a rise in real wages, the break-up of the working class family, indeed the new consumer culture of mobility and choice.

Further evidence is offered in the statistie that 80 per cent of respondents did not mind where they watched a film if it was good—on TV, video or in the cinema—and only 11 per cent of video viewers "simulated the darkness of the cinema by turning off the light."

There are, bowever, more extraordinary implications buried between the lines of this report. Only 31 per cent of respondents regarded the cinema as the best place to see a film, and 37 per ceot of video film viewers cited that their preference for video over the cinema was based on the chance to stop and rewind.

Sociologists might recogoise this as a symptom of the liberalisation of our culture. But even more interesting, media watchers will detect early signs of consumer readiness for interactive video—which offers the viewer almost total cootrol over the programme, transforming him into a participant

In the US, a first step for the movie buff has been made with the release of Citizen Kane on interactive video disc, eoabling what has been voted the greatest movie of all time to he savoured at leisure—even allowiog the viewer to evolve new constructions.

Although the BRU makes no reference to interactive video—a hranch of the screen media business which is about to grow—it is nowittingly anticipated by their claim thot video has changed the rules of film; that the unbroken, linear nature of film was a product only of the way it bad to be viewed—not of "artistic Imperative"—and that these constraints no longer apply.

It might be claimed that technology, in making this possible, has engineered the change in social habits. But inventions have a strange knack hf appearing only when society is ready for them.

Such prohability leads to another loteresting conclusion that lurks between the lines of Dr Tracey's paper. Whereas 64 per cent of people preferred watching films on video or television, of the 31 per cent wbo favoured the cinema some 45 per cent cited the screen size as one of the most important reasons for this preference.

Screen size is the most obvious difference between the experience of fireside viewing and the cinema. And although plenty of research has been going on into the development of bigger television screens, until now there bas been little social pleasure for them.

With nearly half of all vcr owners using their machines mainly to tape feature films—and 40 per cent of the BRU's respondents saying that there are too few movies on hroadcast television—the inference is clear. A market is now available for the cinema-size TV screen.

There are still many technical difficulties to overcome in achieving this at a satisfactory price and with comparable picture quality. But as the reallsation of a social need now begins to surface, it may exercise the minds of engineers wonderfully. And if the investors see in this a real pot of gold instead of a rainbow, the next big technical breakthrough in the medium seems assured.

Security guard monitor

SECURITY GUARDS may soon be turning to small data recorders to help them patrol buildings and open-air areas such as factory yards.

The recorders, held in the hand and looking rather like a torch, are "wiped" over small strips containing magnetically encoded information which are fastened to walls or posts in places the guard normally visits.

Information from the strips is in this way entered into the recorder, plus the time and date of the guard's visit. When the guard has finished a patrol, he or she connects the recorder to a computer which obtains a detailed schedule of the guard's movements.

Securicor, the security services company selling the system, says the data recorder enables employers to monitor guards' activities

It also saves the guard from having to write down details while inspecting premises. The system may also be helpful in emergencies. The computer can be "interrogated" over the telephone network by supervisory electronic hardware that could be hundreds of miles away.

If, due to some misadventure, the guard had not turned up to enter data then the supervisory machine would automatically sound an alarm.

Clay fails fake swamp test

COURTAULDS, the chemicals company, has produced a jelly-like material to replace clay in artificial swamps for the film industry.

The company came to the aid of a special-effects team working on Labyrinth, an adventure movie being made at Thorn EMI's studios in Elstree, Hertfordshire.

The film called for an artificial swamp filled with 30,000 gallons of water. Normally, synthetic clay is used to add density to the swamp.

For Labyrinth, Henson Associates and Lucasfilm, the film's producers, found clay inadequate because it sank too readily. Courtaulds came up instead with one ton of a chemical called Celacol which, says the film's special effects department, has the right sludge-like properties.

UK COMPANY NEWS

Habitat marks merger with 27% profit increase

IN ADDITION to the £1.5bn merger with British Home Stores, Habitat Mothercare, the children's wear and furniture group, announced yesterday that profits for the first half of the 1985-86 year rose by 27 per cent to £16.1m.

There is a similar increase in the interim dividend, which is lifted by 0.6p to 3p net per share, with earnings ahead at 9.7p (7.7p) basic and 8.5p (6.9p) fully diluted.

Sir Terence Conran, the chairman, said that prospects remained bright for the full year, despite relatively dull trading in September and October. In recent years most of the company's taxable profits have come in the second half, which contains the important Christmas shopping period.

For the 26 weeks to September 29 turnover, excluding sales taxes, moved ahead from £197.6m to £225.5m, and produced trading profits of £20.14m against £16.02m. The pre-tax outcome was struck after interest and other debits of £4.04m (£3.39m). Last time interim pre-tax profits came to £12.63m.

Sir Terence said that after several further strategic closures by Richard Shops, the women's wear associate, and by the Mothercare US subsidiary, about 20 news stores would be opened during the current half.

"The main thrust will be by Habitat and Mothercare in the UK, but the company also plans two more stores for Conrans, two Habitat stores in Holland, the third Heal's in Croydon, and additional cluster development by Mothercare in both Europe and the UK," he added.

The chairman also said that arrangements were in hand for Mothercare to start the conversion of stockrooms into selling space to coincide with commissioning its new central warehouse in Wellingborough next autumn.

In the meantime, developments with Burton Group, with which Habitat Mothercare joined in last summer's successful bid for department store chain Debenhams, are under active study. The same is true of FNAC, the French retail group in which Habitat took a major interest last June.

By the period end, the group had 560 outlets compared with 546 in March, and including those of Richard Shops, now has a total of 718 outlets.

Tax for the period came to £5.64m against £4.46m, and has been calculated on the basis of the estimated tax rate for the full year. The corresponding tax figure for last year has been adjusted to reflect the actual rate paid in the 1984-85 year, and the comparable earnings per share figures amended accordingly.

See Lex

Chamberlain Phipps falls 17%

THE STRENGTH of sterling and reduced contributions in certain overseas companies have hit the profits of Chamberlain Phipps in the first half ended September 30 1985.

At the pre-tax level they are down 17.4 per cent, from £2.55m to £2.11m. But Mr Frank Chamberlain, the chairman, regards this as a temporary setback in the progress shown over recent years, and is holding the interim dividend at 1.1p net per share.

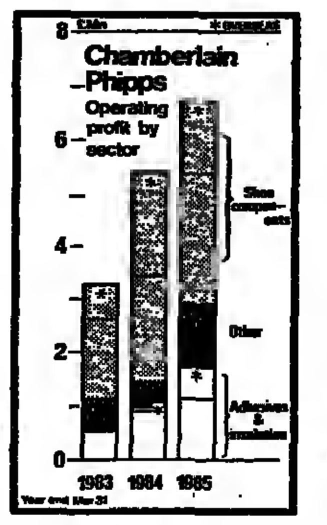
He says he is looking for an improvement in profit during the second half. In the like period of last year the group made just over £3m.

Turnover in the first half rose 3 per cent, from £45.91m to £47.29m. However, operating profit fell to £2.78m (£3.13m) and interest payable rose to £881,000 (£587,000).

Mr Chamberlain says operating profit in the general industries division (adhesives, insulating materials) both in the UK and overseas was similar to last year. Overseas, Tanner Chemical in the US and Plaskem in Australia traded satisfactorily. Progress was made at C. P. Italia through greater penetration of markets.

The shoe components side lifted operating profit in the UK but in general traded less well overseas. Vinaflex America, although improving following management action, has not yet returned to profit.

Tax takes £990,000 (£1.08m) and minorities £139,000 (£130,000), to leave the available profit at £978,000 (£1.34m).



Earnings are down from 3.77p to 2.74p.

● **comment**

In terms of profits growth this is clearly going to be a lost year in the history of Chamberlain Phipps: forecasts of a modest improvement to £6m have long since been abandoned as the likelihood of a downturn has sunk in. Vinaflex's switch to polyurethane solea has proved costly, bringing losses of £100,000 in the first half; meanwhile CP Italia has taken longer to bring into profit than expected and lost £100,000, and the New Zealand subsidiary, suffering from a relaxation of import barriers, turned in a loss of £85,000. The strength of the pound cost another £100,000. New Zealand and currencies are going to be adverse in the second half too, but CP Italia is now in profit and Vinaflex should make a small overall contribution. With this half likely to be back up to last year's level and little more, some £5.2m is in prospect for the full year, putting the shares, unchanged at 72p, on a prospective p/e ratio of nearly 11 after a 47 per cent tax charge. At that level the shares are already looking at next year's likely £6m, and beyond.

BICC sells US loss-maker for £10m

BY CHARLES BATCHELOR

BICC, the cable and wire-maker, has agreed the sale of Boschert, its loss-making manufacturer of power supplies for the computer and electronics industries, for about $15m (£10.4m) to Computer Products of the US.

Boschert suffered from an unprecedented collapse in its markets, Sir William Barlow, BICC chairman, warned in his interim statement in September. Drastic steps were taken to reduce its cost structure.

The US company accounted for much of the decline in profits of BICC's technologies division from £7.9m in the first half of 1984 to only £2m in the first half of 1985. It represented about 25 per cent of the division's £99m turnover in the half year.

BICC bought Boschert for £13.2m in March 1981 on the basis of the then prevailing exchange rates. It has now signed a letter of intent to sell to Computer Products, a Pompano Beach, Florida, company which makes power supplies.

Boschert was intended as the vehicle for BICC's penetration of the between $2.5bn and $3bn US market for power supplies. Completion of the sale is due by the end of December. The sale price is about equal to the asset value.

Barham expanding via £15m acquisitions

By Lionel Barber

Barham Group, the diversified media services company which grew out of the old Dollands Photographic, yesterday announced two acquisitions worth up to £14.7m, funded by a rights issue and share placing which will more than double the size of the group.

Barham is buying for £12.3m in cash, FSL Publications, the investment tip sheets formerly part of the Carlton Communications empire. In a separate deal, it is buying Cocks Williamson Associates, a market research group, for £900,000 cash and a further £600,000 depending on performance over the next four years.

Once a star stock market performer in 1983, Barham has suffered recently from being seen as too disparate. Yesterday, Mr Norman Fetterman, one of two accountants who have built the group up over the past two years, said the two deals had created a broad-based media and advertising services group.

FSL, whose principal sheets are the Fleet Street Letter, the Penny Share Guide and the New Issue Share Guide was the vehicle through which Carlton Communications came to the stock market. Though profitable (pre-tax profits of £1m on £3.4m turnover in the year to September 1985), it formed a small part of Carlton's mainstream TV businesses.

Barham has even bigger ideas. FSL tip sheets have a combined circulation of 70,000, with many subscribers based in the affluent Home Counties; Barham intends to offer via the newsletters broking services such as insurance and pensions.

The cash call to shareholders takes the form of a rights issue on a four-for-three basis at 110p a share—a discount of 22p on yesterday's suspended market price. It is also proposed to place 2.78m shares with institutional investors.

The issue is underwritten by merchant bankers Robert Fleming, called in because of the size of the deal in proportion to the group's previous issued share capital. Before the deal there were 9.5m shares; there are now 25.5m, capitalising the group at around £27m.

Mr Nigel Wray, chairman of FSL since 1976, is to become an executive director of Barham and has signed a three-year service agreement. Mr Fetterman added that Mr Wray is expected to purchase a *substantial number of* Barham shares in the market following the placing.

Growth continues at Dunhill as interim profits surge to £8m

Dunhill Holdings has shown strong growth over the opening six months and is rewarding shareholders with a 0.5p lift in their interim dividend to 2p net.

At the pre-tax level profits for the half year to September 30 surged from £5.82m to £7.97m from a turnover £8.86m ahead at £81.83m, inclusive of royalties.

The results reflected both continued improvement in trading performance and some shift in the seasonal weighting of the group's profits to the first six months compared with recent years.

The group has four main operating units—Alfred Dunhill, Montblanc, Lane and Chloé.

Under these brand names it markets worldwide fashion clothing and accessories for both men and women, watches, pens, smokers' products and fragrances.

Trading under the Dunhill name continued to show growth in the key fashion area. Montblanc showed strong growth in profitability with production levels meeting demand. Lane made good progress in a difficult market, fully justifying the relocation to Atlanta. As expected, Chloé made a small positive contribution to profits.

The directors say the strategic development of the group, in acquiring and developing prestige brand names, has been pursued with the acquisition in July of Dunhill Tailored Clothes in the US, eliminating the dual ownership of the Dunhill trademark in that market and preparing the way for its co-ordinated development.

They add that substantial effort will continue to be directed towards further acquisitions.

Tax for the first half accounted for £3.51m (£2.24m) and attributable profits emerged at £4.46m, compared with £3.56m. Earnings came through 2.1p ahead at 10.6p per 10p share.

For the 1984-85 year as a whole the group raised its profits before tax by 33 per cent to a record £15.06m. At year-end the net cash position had improved by £5.8m to £16.6m. The final dividend was 2.3p.

● **comment**

Dunhill again succeeded in taking the market by surprise with its profits growth and the shares put on 18p to 393p. The improvement seems to be coming equally from Lane, which has bought more trade marks and did not experience the costs of last year's start-up in Atlanta; and from Montblanc, whose new management has secured a remarkable 40 per cent increase in sales. The Dunhill division's profits have been flat in spite of an 11 per cent increase in turnover because of heavy promotional spending and Chloé's presence has done little more than outweigh Richards & Appleby's obsolescence. A number of factors are combining to reduce the imbalance between the group's first and second halves, the main one being its increasing orientation towards year-round fashion and away from gifts that go mainly in Christmas stockings. Exchange rates remain a long-term concern but the group has covered itself for the second half, and full-year profits of £19m look likely. This figure puts the shares on a prospective p/e ratio of 15½ after a 44 per cent tax charge—not outlandish against a stores sector average rating of 16½.

Marshalls Halifax up 19% and lifts dividend

Marshalls Halifax, the concrete products, rock drilling and handling equipment group, has increased pre-tax profits by 18 per cent to £4.14m at the 1985-86 interim stage, and chairman Mr David Marshall says that the current year has started well for both divisions.

The larger concrete and quarrying division accounted for most of the half-way rise, advancing from £3.59m to £4.07m at the operating level, but there was a "comparatively strong performance from the engineering side. This expanded by 54 per cent to a £394,000 trading profit.

The interim dividend is raised from a scrip-adjusted 1p to 1.5p on the capital increased by last December's rights issue, and Mr Marshall expects the final dividend to be not less than that paid last year. After adjusting for the one-for-one scrip, dividends totalled 4.5p last time.

Group turnover rose by £2.51m to £36.47m, with most of the advance coming from the larger division. Mr Marshall describes the concrete division result as "more than satisfactory," and says that it was achieved despite the "rather soggy summer and the consequent indifferent level of demand."

Bairstow Eves' shares suspended

Shares in Bairstow Eves, the quoted residential estate agency, were temporarily suspended yesterday at the company's request. The decision is likely to be followed today by details of an agreed bid for the agency business which, in 1982, was the first to obtain a Stock Exchange listing.

It is understood that Bairstow Eves' executives spent much of yesterday at the City offices of Hambros, which is believed to have made the bid.

Dixons sale

Dixons Group's property investment and development subsidiary has sold a portfolio of 16 shops, spread throughout the UK, to Postel Investment Management for around £12m.

Leasebacks to Currys, the high street electrical retailer acquired by Dixons at the end of last year, have been taken on all but one shop, previously held as an investment. The total income is £570,000 per year, giving an initial yield of 4.5 per cent.

ICI expands in the US

Imperial Chemical Industries has reached agreement in principle to acquire the main lines of business and related assets of Array Technology, based at San Jose, California. Terms are not disclosed.

Array Technology is a privately-owned company which designs, assembles and markets advanced integrated circuits and circuit board subsystems for the electronics industry. Sales in 1985 are estimated at some $13m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Carroll Inds		4.2		3.7	7	5.5
Chamberlain Phipps	int	1.1	Jan 3	1.1	—	3.85
James Cropper	int	0.85§	Jan 17	0.6	—	2.25
Dunhill	int	2	Jan 3	1.5	—	3.8
Habitat	int	3	—	2.4	—	8
Leigh Interests	int	1.3	Jan 16	1	—	3
Marshalls Halifax	int	1.5†	April 7	1*	—	4.5*
Merrydown Wine	int	1*	—	0.89*	—	5.33
Norton Opax	int	1	Feb 3	0.83*	—	2.83*
Peters Stores		nil	—	1	0.5	2
Prontaprint	int	1‡	Feb 7	¶	—	—
Property Partners	int	2.5	—	2.2*	—	5.2*
Radio City‡	int	2.5	—	2.2	nil	5.6
Sekers Intl	int	0.85	Jan 30	[illegible]	—	[illegible]
Share Drugs		1.1	Jan 17	[illegible]	—	[illegible]
Sheraton Securities	int	0.25	Mar 17	—	—	0.5
Stirling Group	int	0.6	Feb 21	0.4	—	1.05
TR Technology	int	0.5	Jan 2	0.5	—	1.72
Unilock§	int	0.83	Jan 10	0.58	—	1.5

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ To reduce disparity.

Hillsdown's £3.5m wins approval of Needlers

Hillsdown Holdings, the acquisitive food, furniture and office equipment group, yesterday announced an agreed £3.45m cash bid for Needlers, the Grimsby-based confectioner.

Shares in Needlers were suspended last Friday after they moved up 30p amid bid speculation to 150p, valuing Needlers at £3m.

Mr Harry Solomon, Hillsdown's joint chairman, said yesterday that Needlers had a "marvellous name and reputation. Hillsdown is best known for its Buxted chickens and Smedleys canning, and this is its first pure confectionery purchase.

Mr Raymond Needler, chairman, said that a key factor in Needlers' agreement to the bid was the fear of tough price competition in the UK sweet market, dominated by Needlers and its rival Barker and Dobson.

Hillsdown is offering 166p per share cash for the ordinary and 60p cash for the 4.2 per cent cumulative preference shares of £1 in Needlers. The offer values the ordinary at £3.28m and the preference at £65,000.

Hillsdown already holds just over 10 per cent of the ordinary and has received irrevocable acceptances from the Needlers directors, their families and certain trustees representing 54.37 and 58.95 per cent of the ordinary and preference shares.

Hillsdown's rapid growth over the past two years has been largely the result of buying loss-making or poorly performing companies. Needlers staged a big profits turnround for the year ending December 1984, boosting pre-tax profits from £190,000 to £437,000. But interim pre-tax profits dropped this year to £178,000.

● Hillsdown said yesterday that it had received acceptances in respect of 9.68m ordinary shares in Walker & Homer Group, the Glamorgan-based upholstered furniture maker, representing 70.7 per cent of the company. It was therefore declaring its £2.7m agreed offer unconditional.

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UK COMPANY NEWS

Aetna opens talks with Globe on £35m purchase

MAJOR US insurance group Aetna Life and Casualty has entered discussions with Globe Investment Trust for the acquisition of the Tyndall Group, a financial services subsidiary of Globe. Although discussions are still at an early stage, a consideration of £35m is being put forward.

Aetna, with assets in excess of US$51bn (£35bn), has twice endeavoured to enter the UK life assurance and financial services sector, before starting its own green field UK life company, Aetna Life Insurance Company, in March of this year.

Aetna's overall strategy is for a strong presence in the UK as soon as possible. The acquisition of Tyndall together with its existing life company would give it a sound base for becoming a major force.

Tyndall was established in 1962 as a unit trust group and has subsequently expanded into life assurance and deposit taking both in the UK and overseas. It has assets approaching £700m, of which nearly £200m is in authorised unit trusts—putting it in the second rank by fund size.

Current conditions in financial services require companies to put much greater financial resources into their operations, in order to take advantage of the changes taking place in the sector. Mr Colin Black, deputy chairman and managing director of Globe, said that his group intended to concentrate on the wholesale side of the market and were thus considering disposing of Tyndall, which is in the retail end.

Aetna hopes to complete the deal sometime early in the new year. Then it will need to consider integrating its existing operation with that of Tyndall. However, Mr Brian Pepperall, Tyndall chairman, pointed out that Aetna Life was well positioned to provide the asset backing for the future development of the group.

Smith St Aubyn bid talks in progress

By John Moore, City Correspondent

A BID of over £8m may be made for Smith St Aubyn (Holdings), one of the smaller discount houses in London. Smith St Aubyn revealed last night that talks are in progress which may lead to an offer for the share capital of the company.

On the Stock Exchange, its shares rose 2p to 39p, valuing the group at £8.4m. But Smith St Aubyn warned that "the board considers that such an offer would, in current circumstances, be unlikely to be at a significant premium to the present market price."

Earlier this year Smith St Aubyn reported a net loss of £628,000 for the year to April 5 1985, compared with profits of £2.52m a year earlier.

The bid move could mark the beginning of a further series of realignments among the smaller discount houses. In the financial services revolution Citicorp, the US banking group, has acquired Seccombe Marshall and Campion for £7m, while Banque Belge bought Gerald Quin Copa for £2.1m.

Prudential Bache of the US has acquired a one-third interest in Clive Discount.

Merrydown profit up 6.8%

A FURTHER improvement in margins due to recent capital expenditure at Merrydown Wine, cider maker, helped pre-tax profits rise 6.8 per cent in the half-year to September 30 1985 from £563,304 to £601,542, in spite of lower turnover.

The company, which also makes country wines and health food products, says the fall in turnover from £4.17m to £3.99m was due mainly to lower exports and a reduction in sales to Scotland.

However, October and November have shown a big improvement in demand for the company's vintage ciders, which, it says, continue to outperform the market as a whole.

The USM-quoted company is paying an interim dividend of 1p an effective increase of 12.5 per cent after allowing for the recent scrip issue. This is on earnings per share up nearly 18 per cent from 9.5p to 11.2p.

Interest received was £18,590 against a charge of £2,229 in the previous first half and tax was £234,217 (£250,000).

Carroll profits leap

Carroll Industries, Dublin-based cigarette and tobacco manufacturer, doubled pre-tax profits to I£11.58m (£9.6m) in the year ended September 30 1985. This compared with I£5.8m, which was struck after an exceptional debit of I£1.68m for redundancy costs in the tobacco division.

Group sales rose to £276.83m (£252.44m). Profits included net interest received of £631,000 (£22,000). After tax of £2.35m (£1.15m) earnings per 25p share were 12.8p (6.4p). The dividend is raised to 7p (5.5p) net with a 4.2p final.

BOC group selling US Health offshoot

BOC Group has reached agreement for the sale of its holding in Mountain Medical Equipment of Colorado for $14.18m (£9.68m). BOC held 2.7m shares (52 per cent), obtaining its controlling interest when it bought Glasrock Medical Services in 1982.

MME makes, sells and leases oxygen concentrators and other respiratory products for the home health care market. The deal is subject to approval by the other MME shareholders.

BM GROUP, a diversified engineering concern, is acquiring Boddis (Old Hill), a West Midlands-based manufacturer of non-mechanical plant for the building industry, for £310,000 cash. In the year to March 1985 Boddis had a turnover of just under £3m but incurred a loss of £140,000.

Northern Foods has bought a speciality bread-maker in Glasgow, Fleck's Vienna Bakery, for £1.4m. The deal coincides with the purchase by Fleck's of another Scottish baker, MacKechnie Rolls, from United Biscuits (UK) for £500,000 plus stock at valuation.

MAI takes 14% of Wagon Finance

Mills & Allen International, the money-broking and billboard group, has taken a stake in the Sheffield-based hire purchase company Wagon Finance Corporation.

Mills & Allen and its financial advisers, Hambros Bank, have acquired 3.23m Wagon shares, a stake of 13.6 per cent.

Wagon's shares have risen from 89p ten days ago to close at 118p last night, valuing the company at £28m, as Mills & Allen increased its stake from slightly under 5 per cent to the present level.

Mr Clive Hollick, Mills & Allen's managing director, notified Wagon of the stake on Friday night, and said yesterday that he had suggested to Wagon that it might be appropriate to have discussions.

Mills & Allen relies on money-broking for over 80 per cent of its earnings, but it has been developing its involvement in personal financial activities—principally retail motor insurance. This division, which last year produced pre-tax profits of £947,000 on turnover of £11.4m, has recently moved into the credit field.

Mr Hollick said he saw an opportunity for some sort of association between Wagon's 100,000 customers and Mills & Allen's 500,000. The bulk of Wagon's instalment credit activities are also in the motor trade.

Wagon's pre-tax profits reached £3.4m last year. After profits of £1.4m in the six months to June 30, its brokers, Panmure Gordon, are forecasting £3.8m for 1985. For 1986 they forecast £5.2m, or earnings per share of 13.8p.

Mills & Allen's brokers, Laurie Milbank, are more cautious, with a forecast of somewhat over 10p per share.

Wagon's two major shareholders, Friends' Provident with 10.52 per cent and Legal & General with 6.36 per cent, said yesterday that their stakes were unchanged.

Mills & Allen raised £25m through a rights issue in June to fund the purchase of the US corporate bond broker Gintelco, which bought it an additional $12.4m in cash. Even after further small acquisitions, the company still retains a high liquidity level.

Change of auditors at Reuters Holdings

BY LIONEL BARBER

Reuters Holdings, the fast-growing international news and business information group, has appointed Price Waterhouse as its auditors in place of Binder Hamlyn, breaking a link which goes back almost 30 years.

Binder Hamlyn, first appointed as Reuters auditors in 1958, were closely involved in the complex billion dollar flotation of Reuters last year. But following the establishment of a new audit committee before the flotation, Reuters decided to put its audit out to tender.

Mr Nigel Judah, finance director, said that a short-list of four international accounting firms had been drawn up and Price Waterhouse had been selected. "We were in no way dissatisfied with Binder Hamlyn and would like to pay tribute to their work," he said.

Sir Christopher Hogg, chairman, said Reuters' international expansion was continuing to accelerate. "... we now feel we need an auditing firm whose international experience is clearly second to none."

The loss of a prestigious audit such as Reuters is a blow to Binder Hamlyn, and is a sign of the increasingly fierce competition among UK accounting practices in this area.

Casual wear sales boost Stirling Group profits

PROFITS ROSE 30 per cent at Stirling Group, clothing manufacturer which supplies Marks and Spencer, in the half-year ending September 30, fulfilling the company's expectations, stated in its annual report, of a further improvement in performance.

Sales were up 30 per cent also, benefiting, Mr J. Grant, chairman, says, from the company's concentration on casual wear and related separates. He adds that with its order book at a high level, its capital expenditure programme allows it to increase capacity in line with demand. Margins have continued to be satisfactory.

(£373,000) was paid in the six (£373,000) was paid in the six months at an estimated rate of 40 per cent.

The interim dividend is being increased by 50 per cent from 0.4p to 0.6p in line with board policy of reducing the high dividend cover. Earnings per share rose to 4.42p from 3.12p previously.

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	†11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	11½%
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Girobank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	Standard Chartered	11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co. Ltd.	12 %	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	11½%	Whiteaway Laidlaw	12 %
Continental Trust Ltd.	11½%	Yorkshire Bank	11½%
Co-operative Bank	*11½%		
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Secs. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee. * 7-day deposits 8.00%. Sources: 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 8% gross. ‡ 21-day deposits over £1,000 8.25%. § Mortgage base rate. ** See Provincial Trust Ltd. ¶ Demand dep. 8%. Mortgage 13%.

COMPANY NEWS IN BRIEF

UNILOCK HOLDINGS, the office and shop furniture concern quoted on the market by Granville and Co, improved profits by £340,000 to £801,000 in the six months to September 28 1985, largely due to a strong rise in the profitability by the contracting division. Group turnover, however, was static at £9.35m. The net dividend is raised from 0.575p to 0.825p. Last full year the total was 1.5p on profits of £1.07m.

PROPERTY PARTNERSHIPS, the Norwich-based property developer and hotel operator, reported pre-tax profits for the six months to the end of September, 1985, up from £561,000 to £593,000 on turnover of £2.03m (£1.84m). From earnings of 6.7p, against 5.5p adjusted for a one-for-two scrip issue, the interim payment is 2.5p, up from an adjusted 2.2p.

JAMES CROPPER, paper manufacturer, more than doubled pre-tax profits in the six months to September 28 from £388,000 to £830,000, continuing the recovery begun at the end of the previous year. Turnover rose 13.8 per cent from £11.62m to £13.22m. Earnings per share advanced from 9.45p to 20.3p. The company is paying a dividend of 0.85p (0.6p) to reduce the disparity with the final dividend.

ACCESS SATELLITE International had sold more machines during the first half of the current year than in the corresponding period last year, the AGM was told. The recent recruitment of export sales staff was showing a significant impact on the number of potential overseas distributors contacted—progress was being made in a substantial number of territories, including Germany, Norway, Finland, United Arab Emirates and Bahrain.

NORFOLK CAPITAL Group has acquired, through its Norfolk Capital Hotels subsidiary, the Truscott Arms, London, for cash. Seller was Clarke Baker (Inns).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Alphameric, Apricot Computers, BPB Industries, Bassett Foods, Carless Capel and Leonard, Crown House, David Dixon, Fashion and General Investment, Gartmore American Securities, Hambros, Hellenic and General Trust, Robert Kitchen Taylor, F. H. Lloyd, Monks Investment Trust, Perkins Textile, Rothmans International, Thomas Warrington.

Finals:—J. H. Fenner, Murray Growth Trust, St Ives.

FUTURE DATES

Interims—	
Allied Colloids	Dec. 4
Brownlee	Dec. 2
Geevor Tin Mines	Dec. 4
Headlam Sims and Coggins	Nov. 29
International Signal & Control	Dec. 2
Lynton	Dec. 2
Michael (John) Design	Dec. 5
Mountview Estates	Dec. 9
Priest (Benjamin)	Dec. 2
Rolfe & Nolan Comp. Services	Nov. 29
Finals—	
[illegible] London Invest Tst.	Dec. 2
Fairline Boats	Dec. 5
Greenall Whitley	Dec. 10
Moran Tea	Nov. 28
Ranks Hovis McDougall	Dec. 3

THORNTON ORIENTAL INCOME FUND LIMITED

(A company incorporated with limited liability in Bermuda on 11th October, 1985 under the Companies Act, 1981 of Bermuda as amended and having an authorised share capital of US$1,012,000)

OFFER

of 5,000,000 Capital Shares of US10 cents each ("Shares") at US$10 per Share (exclusive of the initial charge) payable in full on application

Prior to the issue of this Prospectus the Directors have received indications from various potential investors that they intend to subscribe for in excess of 1,400,000 Shares at US$10 per Share.

The application list for Shares at the above subscription price will open at 10 a.m. on 29th November, 1985 and may be closed at any time on 6th December, 1985.

THE DIRECTORS OF THE FUND

RICHARD CHICHELEY THORNTON
(Chairman and President) (British)
Park House, 16 Finsbury Circus, London EC2M 7DJ
Richard Thornton is a director of a number of listed companies, including several investment trusts. He is Chairman of Thornton & Co. Limited and The Pacific Investment Trust plc. [illegible]

DONALD PETER LINES
(Vice President) (British)
The Bank of Bermuda Building, Front Street, Hamilton 5-31, Bermuda.
Donald Lines is a chartered accountant and has been Chief General Manager of The Bank of Bermuda Limited for four years. He is a director of a number of Bermuda-based investment companies.

DAVID CHARLES ROBERT HARDING
(British)
801 Gloucester Tower, The Landmark, Central, Hong Kong
David Harding is a director of Thornton Management (Asia) Limited.

MASASHI KANEKO
(Japanese)
Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100, Japan
Masashi Kaneko is managing director of Nikko International Capital Management Co., Limited and has been involved in securities research and investment for over 20 years.

JAMES MELLON
(British)
801 Gloucester Tower, The Landmark, Central, Hong Kong.
James Mellon is a director of Thornton & Co. Limited. He is also a director of Thornton Management (Bermuda) Limited and of Thornton Management (Asia) Limited.

RICHARD SHAFTO LOVE PEARMAN
(British)
Clarendon House, Church Street, Hamilton 5-31, Bermuda
Richard Pearman is a barrister and attorney and has been a partner in the law firm of Conyers, Dill and Pearman since 1965. He has served as a director of a number of investment companies for many years.

MANAGEMENT AND ADMINISTRATION

MANAGERS
Thornton Management (Bermuda) Limited
The Bank of Bermuda Building, Front Street, Hamilton 5-31, Bermuda

HONG KONG INVESTMENT ADVISERS
Thornton Management (Asia) Limited
801 Gloucester Tower, The Landmark, Central, Hong Kong

JAPAN INVESTMENT ADVISERS
Nikko International Capital Management Co., Limited
Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100, Japan

CUSTODIAN, BANKERS AND REGISTRARS
The Bank of Bermuda Limited
The Bank of Bermuda Building, Front Street, Hamilton 5-31, Bermuda

PRINCIPAL SUB-CUSTODIAN
Bermuda Trust (Far East) Limited
2401 Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong

SECRETARY AND REGISTERED OFFICE
Thomas Haskins Davis, C.A.
The Bank of Bermuda Building, Front Street, Hamilton 5-31, Bermuda

STOCKBROKERS
Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN

AUDITORS
Peat, Marwick, Mitchell & Co.
Chartered Accountants, Vallis Building, P.O. Box No. 906, Hamilton 5-31, Bermuda

RECEIVING BANKERS
Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N.Y. 10015, United States of America
Morgan Guaranty Trust Company of New York
P.O. Box 161, Morgan House
1 Angel Court, London EC2R 7AE
The Bank of Bermuda Limited
The Bank of Bermuda Building, Front Street, Hamilton 5-31, Bermuda

LEGAL ADVISERS
In Bermuda:
Conyers, Dill and Pearman
Clarendon House, Church Street, Hamilton 5-31, Bermuda
In the United Kingdom:
Stephenson Harwood
Saddlers' Hall, Gutter Lane, Cheapside, London EC2V 6BS
In Hong Kong:
Stephenson Harwood & Lo
Swire House, 10th Floor, Chater Road, Central, Hong Kong

PRINCIPAL FEATURES

The following information is a summary of the principal features of the Fund but should be read in conjunction with the full text of this Prospectus.

STRUCTURE

- the Fund is an open-ended investment company incorporated in Bermuda

OBJECTIVE

- to provide investors with a combination of an above average income flow, in comparison with other investments available in the region, and capital growth through investment in debt and equity securities of Asian and Pacific companies, particularly those of Japan

ECONOMIES AND STOCKMARKETS

- Japan has had the highest rate of post-war economic growth of all major industrialised nations
- Japan has generated consistently high stockmarket returns and is expected to continue to do so as a result of monetary stability, low inflation, high capital formation and the introduction and development of new products
- Hong Kong and Singapore have far outstripped OECD countries in terms of GDP growth over the past decade
- favourable reaction to the Sino-British agreement on the future of Hong Kong and the territory's proximity to China may lead to a rerating of Hong Kong's stockmarket
- Australia's economy has enjoyed above average growth since 1960

INVESTMENT POLICY

- to provide investors, through high-yielding equities and convertible bonds, with an above average flow of income
- to achieve capital growth through warrant bonds and warrants so as to benefit from the appreciation in the underlying shares represented by convertible bonds
- to offer a professionally managed portfolio invested mainly in marketable securities and to take advantage of the increasing liquidity and sophistication of the debt and warrant markets
- to place particular emphasis on companies with strong balance sheets
- to remain fully invested unless market conditions make it appropriate to hold significant cash deposits
- to benefit from a long-term uptrend expected by the Managers in the value of the Japanese yen against international currencies

THE MANAGERS AND ADVISERS

- are an experienced team directing investment policy and management
- provide extensive experience and knowledge of Asia and the Pacific region and of their investment markets

DAILY DEALINGS IN SHARES

- Shares may be applied for or redeemed on any business day in Bermuda
- there will be a single price for the allotment and redemption of Shares which will be calculated by reference to the net asset value of the Fund
- the Managers are entitled to receive an initial charge of up to 5% of the price at which Shares are sold
- Share prices will be published in the Financial Times in London, in the South China Morning Post in Hong Kong, and in the International Herald Tribune

LISTING

- the Fund has applied to the Council of The Stock Exchange, London for the Shares in issue or available to be issued to be admitted to the Official List

DIVIDENDS

- at least 85% of net income and profits (if any) derived from dealing will be distributed
- dividends will, unless otherwise requested, be re-invested into further Shares

THE MANAGERS

The Managers are a wholly-owned subsidiary of **Thornton & Co. Limited** ("Thornton & Co."), a private company which was established in 1984 in which Mr. Richard Thornton is a substantial minority shareholder.

The level of funds under the management of the Thornton & Co. Group now exceeds US$100 million. These include Thornton Japan Fund Limited, Thornton Australia Fund Limited and Thornton Hong Kong and China Gateway Fund Limited, Bermuda based mutual fund companies investing principally in Japanese, Australian and Hong Kong securities respectively, and The Pacific Investment Trust plc, a United Kingdom quoted investment trust with an investment policy chiefly aimed at the Pacific markets.

THE HONG KONG INVESTMENT ADVISERS

The Hong Kong Investment Advisers, another wholly-owned subsidiary of Thornton & Co., were specifically established in Hong Kong in order to manage investments in and advise on all the stockmarkets of the Pacific region.

The Hong Kong Investment Advisers have established an Investment Policy Committee, all of whose members are experienced in investment in Asia, which meets regularly to review economic and stock market prospects and to initiate investment policy. The Committee is led by:-

Mr. Richard Thornton, aged 54, who is the chief investment officer of the Thornton & Co. Group. Richard Thornton was one of the two founders of GT Management Limited, a British investment management company, where he was a director and chief investment officer until November 1983. With the Thornton & Co. Group, GT Management Limited and, prior to that, with The Foreign & Colonial Management Group, he has specialised in Pacific basin investments for more than 20 years and has extensive knowledge and experience of Japan and the investment markets in that country.

The other members of the Committee are:-

Mr. James Mellon, aged 28, who is the Hong Kong based investment director. Before joining the Hong Kong Investment Advisers in July 1984 he was a director of GT Capital Management Inc. in San Francisco where he was responsible for the management of that company's North American investments, which at the time of his resignation exceeded US$600 million. He began his career with GT Management Limited in 1978, specialising in the management of Asian securities.

Mr. David Harding, aged 26, who is based in Hong Kong and specialises in investments in that market. He began his career with GT Management Limited in London before transferring to the United States where he spent nearly three years involved in the management of North American securities.

Mr. Julian Mayo, aged 24, who is a fund manager based in Hong Kong specialising in Japan investments. Before joining the Hong Kong Investment Advisers in May 1985, he worked for Schroders Asia Limited as an investment manager.

THE JAPAN INVESTMENT ADVISERS

The Japan Investment Advisers were formed in 1981 and are a 90% owned subsidiary of The Nikko Research Centre which is in turn a subsidiary of The Nikko Securities Co. Limited. The latter was founded in 1918 and is among the four leading international investment banking and brokerage firms in Tokyo. The Japan Investment Advisers have extensive experience in investment management, and assets under management as at 30th June, 1985 amounted to US$2,220 million.

THE CUSTODIAN AND BANKERS

The Bank of Bermuda Limited (the "Bank") will provide banking facilities to the Fund. The Bank is a licensed bank incorporated in Bermuda in 1890 under The Bank of Bermuda Act of 1890. The Bank is engaged in a wide range of international banking and trust services through its main office in Bermuda and subsidiaries in Hong Kong, London, Guernsey and New York. As at 30th June, 1985, consolidated gross assets exceeded US$2,735 million.

The Fund has also appointed the Bank as Registrar of the Fund.

In addition the Bank has been appointed by the Fund as Custodian of the assets of the Fund in accordance with the terms of the Custodian Agreement (see paragraph 12(b) in appendix II). These assets will be held either directly by the Principal Sub-Custodian, Bermuda Trust (Far East) Limited, or with correspondent banks around the world. Bermuda Trust (Far East) Limited is a registered trust company incorporated in Hong Kong in 1974 and is a wholly-owned subsidiary of the Bank.

INTRODUCTION

The Fund is incorporated as a mutual fund company in Bermuda with limited liability. It is an open-ended investment company in that it can offer Shares to investors on a continuing basis and the Bye-laws confer upon Shareholders the right to have their Shares redeemed.

The main purpose of the Fund will be to invest in convertible bonds and bonds with warrants, particularly those issued by Japanese companies, and in high-yielding equities of companies in Asia and the Pacific region. This is intended to provide an income significantly higher than that normally found in these regions' equity markets while still benefiting from expected capital growth and potential currency appreciation of the yen against the US dollar. These investments will normally be quoted on a recognised stock exchange but may in a small proportion of cases be unquoted.

Thornton Management (Bermuda) Limited (the "Managers") have been appointed as Managers of the Fund. They will receive investment advice from **Thornton Management (Asia) Limited** (the "Hong Kong Investment Advisers") and from **Nikko International Capital Management Co., Limited** (the "Japan Investment Advisers") who have been retained to advise in connection with Japanese domestic convertible bonds and warrant bonds.

INVESTMENT POLICY

The aim of the Fund is to provide investors with income and long-term capital appreciation from convertible bonds and bonds with warrants, particularly of Japanese issuers, and high yielding equities of companies from Japan and elsewhere in Asia and the Pacific, for example, Hong Kong and Australia. These are described more fully below.

The objective of the Managers will be to achieve income and capital appreciation through investment in securities of mainly quoted companies of all sizes but it is not envisaged that the Fund will provide coverage of all sectors of an economy. Most of the securities held by the Fund will be readily marketable but a small proportion of the Fund's assets may consist of investments in the equities, bonds or warrants of smaller quoted companies whose securities are often lightly traded.

There may, in appropriate circumstances, be some activity in short-term transactions but not more than 20% of the Fund's assets would at any one time be devoted to such transactions. Short-term transactions will be confined to a separate and distinct portfolio of the Fund, and profits arising from these transactions will be treated as income and will be distributable as dividends.

In selecting investments, the Managers will place emphasis on prospects for significant growth in the long term, taking account of the income requirements of the Fund. The distribution of the Fund between markets may alter as conditions dictate.

It will be the principal policy of the Managers for the Fund to remain fully invested in Asian and Pacific securities. However, should the Managers consider that market conditions make it appropriate, significant cash or short term deposits may be held. It is likely that these would be held in US dollars or Japanese yen.

The Fund will not undertake legal or management control of any of the underlying investments. The realisation of any investment of the Fund which, at the Directors' valuation, amounts to 50% or more of the value of the Fund's net assets will be conditional on Shareholders' approval.

The Managers will reserve the discretion to seek to protect the Fund against loss through currency fluctuations, whether by buying forward or borrowing a currency to purchase an investment. Such a practice will be undertaken prudently.

The Directors intend to follow the investment policy referred to above for at least three years following the grant of a listing by The Stock Exchange, London.

INVESTMENT INSTRUMENTS

CONVERTIBLE BONDS

A company requiring outside financing can borrow money from a bank, issue straight bonds (with or without warrants), or can issue new shares. A middle road which has become a popular way of raising money is to issue convertible bonds, which pay the investor an annual coupon in the normal way, but which also have the feature of being convertible throughout their lives or at specified times during their lives into common shares of the issuing company. As with warrant bonds, these bonds have the advantage for the issuing company of paying a lower coupon because of the equity participation feature. The advantage to the investor lies in the option of converting the bond into shares and of holding a bond which, because it is a senior class of security and generally pays a higher rate of return than the dividend yield of the common shares of the issuing company, carries less downside risk. For example, should the price of the common shares of the issuing company fall dramatically in the stockmarket, without it becoming apparent that the company can no longer continue to pay the interest on its convertible bond debt, then it is unlikely that the price of the convertible bonds will fall as far in percentage terms as the common shares. This is because, at a certain point, the redemption yield on the convertible bond will cause it to be treated in the market like a non-convertible bond and not as a means of participating in the company's equity. Once the yield on the bond is attractive in relation to the rest of the bond market, the selling pressure may end. The bulk of the portfolio will be committed to this type of instrument; these offer participation in the growth of the common shares of the best Japanese companies, with a mitigated downside risk (because of the bond feature), as well as a good level of recurring income. Furthermore, convertible bonds will benefit if, as the Managers expect, the yen continues to strengthen, because the exchange rate at which conversion takes place is fixed at the time of issue.

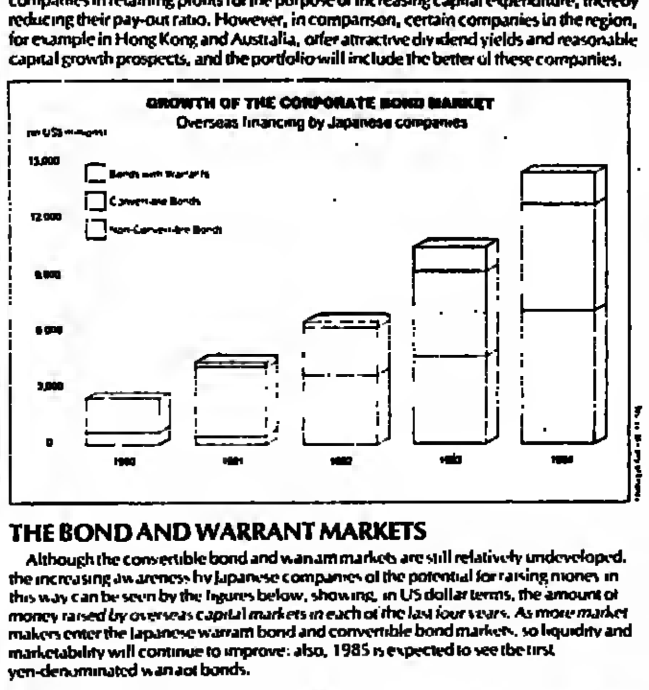
BONDS WITH WARRANTS ATTACHED

Some Japanese companies have recently started issuing bonds which provide investors not only with a conventional coupon but also with equity participation in the common shares of the issuing company through the medium of warrants. Warrants give their holders the right to subscribe for a given number of shares at a given price at any time before the expiration of the warrants. Furthermore, in the case of all warrant bonds issued thus far (since all have been issued outside Japan), the exchange rate at which the warrant can be exercised is fixed at the time of issue. Therefore, if the investor believes that the Japanese yen will appreciate against the US dollar or against the Eurocurrency in which the warrants were first issued, he retains the potential to gain from that currency appreciation by holding the warrant. For the issuer, the advantage lies in issuing bonds at a lower rate of interest than it would otherwise be able to, due to the "sweetener" of the warrants. The investor on the other hand is given a means of participating in the growth of the company's share price in a way that is geared.

The gearing works as follows: because a smaller amount of risk capital is committed to a warrant than would be to a comparable position in a common share and because the warrant price will rise by a factor (the gearing) which is greater than any rise in the share price, the gains for the investor from holding warrants are potentially larger than from holding common shares. However, the risk is higher as well; a warrant is effectively a type of long term option and can expire worthless. Common shares, except those of failed companies, almost always have some sort of residual value even in the worst business environment. They represent a share of ownership of physical assets; warrants, however, represent only an option on those assets at a certain price. It is therefore intended to use the warrant market prudently and sparingly, given the higher degree of risk inherent in this type of instrument; no investment may be made which would result in the Fund holding options or warrants of more than 10% of the value of the Fund.

HIGH-YIELDING EQUITIES

Japanese stocks have traditionally had a lower dividend yield than other stocks, for example, those of Hong Kong. This has partly resulted from the preference of Japanese companies in retaining profits for the purpose of increasing capital expenditure, thereby reducing their pay-out ratio. However, in comparison, certain companies in the region, for example in Hong Kong and Australia, offer attractive dividend yields and reasonable capital growth prospects, and the portfolio will include the better of these companies.



THE BOND AND WARRANT MARKETS

Although the convertible bond and warrant markets are still relatively undeveloped, the increasing use of them by Japanese companies of the potential for raising money in this way can be seen by the figures below, showing, in US dollar terms, the amount of money raised by overseas capital markets in each of the last four years. As more market makers enter the Japanese warrant bond and convertible bond markets, so liquidity and marketability will continue to improve; also, 1985 is expected to see the first yen-denominated warrant bonds.

(US$ Million)	1981	1982	1983	1984
Bonds with Warrants	166.1	259.5	1322.5	1888.3
Convertible Bonds	3919.7	2522.2	4792.4	5626.5

A wide range of Japanese companies have taken the opportunity of raising money in these markets. These have included some lower quality companies whose shares have recently attracted considerable attention in the stockmarkets, including railway and property companies, but they have also included many companies which the Managers believe offer the best prospects for future growth: firms with strong balance sheets, new products and an innovative management. Household names such as Sony, Ricoh, Honda Motor and Casio have issued warrant bonds, and Fujitsu, Canon, Fuji Photo and Matsushita Electric Industrial have all raised money in both the domestic and overseas convertible bond markets.

ECONOMIES AND STOCKMARKETS

JAPAN

Japan ranks second in the free world in terms of both economic output and stockmarket capitalisation. Its post-war economic growth has been the highest and most consistent among major industrialised countries, and, by the end of this decade, Japan's per capita GNP is expected to be third only to those of the United States and Canada among OECD economies. From 1962 to 1984 Japan's GDP grew in real terms at an average rate of 6.8% per annum, far outstripping the United States, which grew at an annual rate of 3.1%, and the United Kingdom which grew at an annual rate of 2.3%.

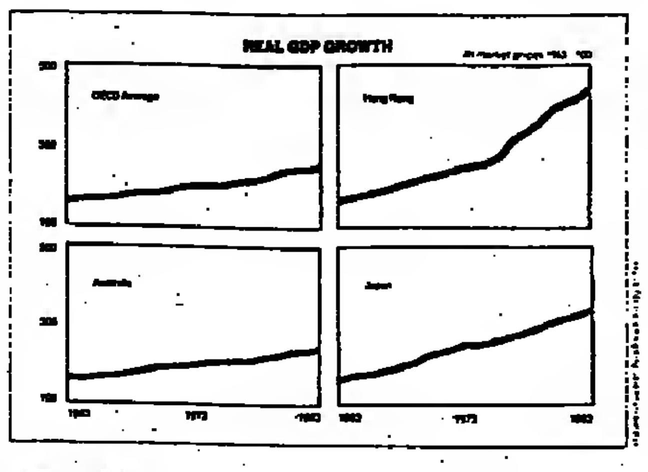
Among the many explanations for this are excellent management-workforce relations, the homogeneity of the Japanese people, a high level of savings and investment, and a pro-business political and bureaucratic system. The OECD forecasts that Japan's GNP will grow by 4.5% in 1986 after growth of 5.25% in 1985.

Japan's rate of consumer price inflation has been below the OECD average in every year since 1977. This has been partly due to the Bank of Japan's introduction of a system of monetary measures in 1974 to curb excessive money supply growth and instead to allow the currency to reflect changes in market conditions.

Private savings have been notably high in Japan, helping to finance a high rate of fixed investment which accounted for 28.5% of GDP in 1984 compared with around 17% in both the United States and the United Kingdom. One of the consequences of this has been the increase in productivity resulting from the introduction of labour-saving devices.

Economic performance and political stability have been mirrored by consistently high stockmarket returns over the years. Between 1971 and 1984 Japanese share prices, as measured by the Tokyo Stock Exchange Index, showed an average annual rate of return of 9.8% in US dollar terms. This compares with 1.6% for the Dow Jones Industrial Average in the United States and 6.1% for the Financial Times All-share Index in US dollar terms. The yen appreciated by 20% against the US dollar over that period, whereas the pound declined by 40%.

Japan's stockmarkets, of which the Tokyo Stock Exchange is by far the most important, together constitute the second largest in the world in terms of both the stock traded and market capitalisation. The Tokyo market's share of world stockmarket capitalisation has risen from 5% in 1970 to 21% in 1985 in which period it has overtaken Toronto and London to rank behind only New York. Approximately 1,800 companies have their stocks traded on one or more of Japan's stockmarkets; in addition, as in other countries, flourishing venture capital and over-the-counter markets have developed.



HONG KONG

Over the last thirty years Hong Kong has gained a reputation as the world's foremost laissez-faire economy. Its container port is now the third largest in the world, while many consider that, as a financial centre, it has attained a similar global ranking, behind only London and New York. GDP per capita rose to an estimated US$5,900 in 1984, only slightly behind that of the United Kingdom.

The British administration has adopted a pro-business, non-interventionist approach throughout Hong Kong's postwar history. The standard rate of income tax is 17% for individuals and 18.5% for corporations. There is no capital gains tax or general tariff.

Overshadowing Hong Kong's recent history has been the expiration in 1997 of the lease from China of the New Territories. The discussions on the lease and the question of sovereignty following Mrs Thatcher's visit to Beijing in 1982 resulted in a crisis of confidence in Hong Kong which persisted, on and off, until a final resolution was announced in the late summer of 1984. This resolution, as detailed in the Sino-British Agreement on the Future of Hong Kong, represents a compromise: Hong Kong will become a Special Administrative Region of China, while retaining its capitalist system and lifestyle for 50 years after the expiration of the lease. Hong Kong will remain a free port, with unrestricted flow of capital, it will retain fiscal autonomy and its citizens will enjoy a full range of basic freedoms: in effect "one country, two systems", to use the oft-repeated slogan of the Chinese Government.

The Agreement is evidence of a more pragmatic approach adopted by China since 1978, when the country embarked on an ambitious and radical modernisation programme under the leadership of Deng Xiaoping, and has largely restored business and stockmarket confidence in Hong Kong notwithstanding some doubts remaining over China's ability in the future to honour its commitments under the Agreement. 1984 saw a reversal of downward sentiment and decline in Hong Kong, and the increasing strength of the Hong Kong dollar against the US dollar from July 1984 to July 1985 resulted, through the mechanism of the exchange rate peg, in a substantial decline in the prime lending rate from a peak of 17% to 6% in July 1985, since when interest rates have increased slightly.

These lower interest rates, combined with increasing demand for office space and improving business confidence, have pushed property rents and prices higher during 1985. The property sector has always played a pivotal role in the fortunes of Hong Kong and accounts for approximately 23% of the Hang Seng Index.

Despite the inevitable difficulties, China appears committed to carrying through its current modernisation plan, and Hong Kong can look forward to an improving relationship and closer ties with its much larger neighbour.

OTHER FAR EASTERN ECONOMIES

Other economies have experienced good long term economic growth since 1960. GDP in Australia has grown in real terms at an average annual compound rate of 4.0%, which compares favourably with an OECD average of 3.7% over the same period. Australia's wealth has been derived from the development of its extensive base of natural resources. The country is important in international energy markets and is a major agricultural exporter. Singapore and Malaysia have grown consistently, even during the 1979-1983 period, which included the most serious recession in the world's economies since the 1930's. Singapore's GNP grew at an average rate of 8.8% and Malaysia's at 12.2%: South Korea and Taiwan recorded growth rates of 4.4% and 6.2% respectively. These successes have been due, among other factors, to a combination of entrepreneurial flair and hard working and increasingly well-educated workforces. At present the Korean and Taiwanese stock markets are not open to direct foreign participation but as they, and other markets are opened and expanded the Fund will have access to a wider range of instruments in which to invest.

SUBSCRIPTIONS AND REDEMPTIONS

The initial offer period for Shares at US$10 per Share (the "initial period") will open at 10.00 a.m. on 29th November, 1985 and may close at any time on 6th December, 1985 although applications received during the initial period for Shares in excess of the 5,000,000 Shares now being offered for subscription will be satisfied at the initial price of US$10 per Share up to the maximum authorised capital of the Fund.

Dealings

After the initial period, applications to deal in Shares may be made on any Dealing Day, which is every day of the week except Saturday, Sunday and any day which is not a business day in Bermuda.

Valuations and Share prices

The price at which investors may subscribe for and redeem Shares after the initial period will be a single price denominated in US dollars and normally will be calculated on each Dealing Day (see paragraph 3 in appendix I) by reference to the net asset value of the Fund as at the close of business in Bermuda on the previous Dealing Day. The first calculation of the net asset value of the Fund will be made on 9th December, 1985. An initial charge of up to 5% of the relevant Share price will be payable to the Managers by applicants on the issue of Shares both during the initial period and subsequently and this charge will be added to the Share price.

Publication of Share prices

Share prices will be published in the Offshore and Overseas Section of the Financial Times in London, in the South China Morning Post in Hong Kong and in the International Herald Tribune.

Form of Shares

Share certificates will be in registered form and will be despatched by the Registrars within 28 days of settlement of applications. Fractions to the nearest one-thousandth of a Share may be subscribed for and redeemed by investors.

Procedure for Applications

Applications may be made either on the Application Form set out at the end of this Prospectus or by telex. When first applying, investors should subscribe for a minimum amount of US$1,000 (inclusive of the initial charge) which will, unless the Directors otherwise determine, be the minimum value for subscriptions. After their initial application investors may subscribe for any amount.

Investors may make payment for Shares in US dollars, pounds sterling or any other currency, by cheque, banker's draft or by telegraphic transfer. Investors are advised wherever possible to make payment by telegraphic transfer to avoid any delay in the allotment of their Shares. Shares will only be issued against payment in US dollars and any conversion into US dollars will be at the cost and risk of the investor.

U.S. Dollar Subscriptions

– by cheque or banker's draft. These should be made payable to "THORNTON ORIENTAL INCOME FUND LIMITED" and should accompany the Application Form, which should be sent to either of the addresses shown on the back of the Application Form.

– by telegraphic transfer. Payment, net of charges, should be made to Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, NY 10015, USA for credit to the account of Bermuda Trust (Far East) Limited – Thornton Oriental Income Fund Limited (Account No. 601-737-77).

Pounds Sterling or Other Currency Subscriptions

– by cheque or banker's draft. These should be made payable to "THORNTON ORIENTAL INCOME FUND LIMITED" and should accompany the Application Form, which should be sent to either of the addresses shown on the back of the Application Form.

– by telegraphic transfer. Payment, net of charges, should be made to Morgan Guaranty Trust Company of New York, P.O. Box 161, Morgan House, 1 Angel Court, London EC2R 7AE, for credit to the account of Bermuda Trust (Far East) Limited – Thornton Oriental Income Fund Limited (Account No. 599-79-205).

No cash should be paid direct to any salesman.

Allotments

If a duly completed Application Form or telex is accompanied by a cheque or banker's draft, Shares will, subject only to the money remitted being cleared, be allotted on the date of receipt of the Application Form or telex if it is a Dealing Day or if not, on the following Dealing Day.

Allotment of Shares in the case of a duly completed Application Form or telex accompanied by a telegraphic transfer will be made on the date of receipt of the Application Form or telex if it is a Dealing Day or, if not, on the following Dealing Day.

All subscription monies must be paid in full within seven days following the Dealing Day on which the Application Form or telex is received. Contract notes will be issued for all subscriptions of Shares.

Reinvestment

Unless investors otherwise direct in writing, either when applying for Shares or subsequently, dividends will be reinvested in the allocation of further Shares. These further Shares will be issued on the date of distribution or, if that is not a Dealing Day, on the following Dealing Day at a price equal to the Share price as set out above, except that no initial charge will be made. Any such direction by a Shareholder will remain effective until countermanded in writing.

Redemption

Shares may be redeemed on any Dealing Day at the price ruling on that day, upon receipt of a request in writing or telex sent to either of the addresses shown at the end of this Prospectus. Partial redemptions may be effected, in which case a balance certificate will be issued and forwarded in due course.

Payment of the redemption price will be made by cheque in US dollars, which will be despatched by post at the Shareholder's risk within seven business days after the date of receipt of the Share certificate, with the request for redemption on the reverse duly completed, at either of the addresses shown at the end of this Prospectus.

Arrangements can be made for Shareholders to receive payment in currencies other than US dollars and or, where the amount exceeds US$10,000, to receive payment by telegraphic transfer. In these circumstances Shareholders are advised to specify settlement instructions when making their request for redemption. The costs of any currency conversion and other administrative expenses will be borne by the Shareholder. Contract notes will be despatched in respect of all redemptions of Shares.

Transfer

Shareholders are entitled to transfer Shares by an instrument in writing in any usual common form.

Under current Bermuda legislation, a transfer of shares, where the transferor is resident in Bermuda for the purposes of the Exchange Control Regulations, 1973, must be stamped at the rate of 0.5% of the consideration for the transfer.

Suspension of Dealings

The Directors may declare a suspension of dealings in certain circumstances, full details of which are set out in paragraph 4 of appendix I. No Shares will be issued or redeemed during any period of suspension.

DISTRIBUTION OF INCOME

Profits arising from the sale and realisation of capital assets (save as referred to below) will not be distributed by way of dividend. It is the intention of the Directors that at least 85% of the Fund's distributable income (after payment of the Fund's expenses) will be distributed. Distributable income will include profits (less losses) derived from short-term transactions and income deemed accrued under Sections 73 to 77 of the Finance Act 1985.

No account will be taken by the Fund for any tax which may or may not be due to be paid by Shareholders.

Dividends, if any, will be paid semi-annually in May and November, commencing in May 1987.

CHARGES AND FEES

On application

The Managers are entitled to receive an initial charge of 5% of the price at which Shares are sold, which will be added to the price of the Shares. Out of the initial charge the Managers may pay commission to authorised agents.

Managers and Custodian

Fees for services will be payable by the Fund as follows:-

to the Managers -

the equivalent of [illegible]% per month of the net asset value of the Fund calculated each month on the average daily net asset value of the Fund during the relevant month, but this may be increased up to a maximum of [illegible]% of the net asset value of the Fund by giving not less than three months' notice to the Custodian and to Shareholders.

to the Custodian -

(a) the equivalent of 0.25% per annum of the net asset value of the Fund (excluding cash balances held with the Bank or any of its subsidiaries) where such net asset value is US$10,000,000 or less, calculated at the end of each quarter;
- 0.1875% per annum on the next US$10,000,000;
- 0.125% per annum on the balance thereafter; and

(b) an administration fee of US$5,000 per annum.

The Managers' fees will be payable monthly in arrears and the Custodian's fees will be payable quarterly in arrears. The Managers will be responsible for the charges and fees of the Hong Kong Investment Advisers and of the Japan Investment Advisers, and the Custodian will be responsible for any fees payable to the Principal Sub-Custodian and any other sub-custodian (other than any sub-custodian in Japan and Australia, for whose fees the Fund will be responsible). Full details of other administrative and professional expenses payable by the Fund are set out below.

GENERAL

Accounts and Reports

Investors will be sent annual accounts and an investment management report relating to the Fund. The first accounts will be made up to 31st December, 1986 and thereafter the accounts will be prepared to 31st December in each year. Investors will also be sent an interim report every six months, the first of which will be sent to investors in July 1986.

Annual General Meetings

Annual General Meetings will be held in Bermuda normally during the month of May. Notices convening each Annual General Meeting will be sent to investors together with the annual accounts and reports not later than twenty-one days before the date fixed for the meeting.

TAXATION

The following comments are based on advice received by the Directors regarding the current law and practice in the respective countries and are intended to assist investors. Investors should appreciate that as a result of changing law or practice, or unfulfilled expectations as to how the Fund or investors will be regarded by Revenue authorities in different jurisdictions, the taxation consequences for investors may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their countries of citizenship, residence, ordinary residence or domicile.

The Fund

Bermuda

At the date of this Prospectus there is no Bermuda income or profits tax, capital gains tax, withholding tax payable by the Fund. The Fund has obtained an Undertaking by the Minister of Finance of the Government of Bermuda under the Exempted Undertakings Tax Protection Act 1966 (as amended) of Bermuda to exempt the Fund and its Shareholders (other than those ordinarily resident in Bermuda) until March 2006 from any Bermuda tax which may be introduced which is computed on profit or income or on any capital gain or appreciation or any tax in the nature of estate duty or inheritance tax (apart from taxes on land in Bermuda owned by or leased to the Fund).

Although incorporated in Bermuda, the Fund is regarded by the Bermuda Monetary Authority as non-resident in Bermuda for Bermuda exchange control purposes and, as such, is free to acquire, hold and sell any foreign currency and securities without restriction.

Japan

Although dividends and interest received from Japanese sources generally suffer Japanese withholding tax at a rate of 20%, interest on Eurobonds issued by Japanese companies outside Japan is exempt from withholding tax provided certain conditions are satisfied. It is expected that the majority of the Fund's debt investments will satisfy these conditions, although a significant part of the Fund's investments will consist of Japanese domestic convertible bonds which will be subject to withholding tax. In the event that any deduction is made for withholding tax, no double taxation treaty relief or exemption will apply.

The Fund has been advised that it should generally not be liable to Japanese taxation in respect of gains realised by the Fund on the sale or other disposal of investments in Japanese companies or in respect of any income, such as interest on monies placed on deposit, derived from sources other than Japan.

Hong Kong

Dividends received by the Fund from Hong Kong or overseas sources are not liable to tax in Hong Kong. Interest received by the Fund from Hong Kong or overseas sources is chargeable to profits tax (currently at the rate of 18.5% per annum) to the extent that it arises through or from the carrying on of the Fund's business in Hong Kong. It is intended that the business of the Fund will not be carried on in Hong Kong.

There is no capital gains tax payable in Hong Kong on the realisation of securities or other investments, which are held for long-term capital appreciation purposes. However, where a fund is held to carry on a business in Hong Kong of dealing in securities or other investments the profits arising therefrom are chargeable to profits tax to the extent that they arise in or derive from Hong Kong.

United Kingdom

It is the intention of the Directors that neither the central management nor control nor the day-to-day management of the Fund will be undertaken within the United Kingdom for taxation purposes. The Fund should not, therefore, be liable to United Kingdom corporation tax on its income or gains.

Investors

General

Transactions in shares between persons, firms, or companies regarded as non-residents of Bermuda for exchange control purposes may be effected without the specific permission of the Bermuda Monetary Authority. Prospective investors who are residents for taxation or exchange control purposes of territories other than Bermuda are advised to consult their own professional advisers if they are in doubt as to their exchange control position under any other jurisdiction to whose laws they may be subject.

Bermuda

At the date of this Prospectus there is no Bermuda income tax, capital gains or withholding tax, estate duty or inheritance tax payable by Shareholders in respect of their Shares. Persons, firms or companies regarded as resident in Bermuda for the purposes of Bermuda exchange control require specific exchange control permission to subscribe for or purchase Shares, as they are regarded as foreign currency securities by the Bermuda Monetary Authority.

United Kingdom

Shareholders resident in the United Kingdom for tax purposes may, depending upon their individual circumstances, be liable to United Kingdom income tax or corporation tax (at the rate applicable to income) on dividends paid by the Fund whether such dividends are paid to them by cheque or are reinvested on their behalf in further Shares.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Section 478 of the Income and Corporation Taxes Act 1970 and to Section 45 of the Finance Act 1981. These contain provisions for preventing avoidance of United Kingdom income tax by individuals through transactions resulting in income arising to persons (including companies) abroad and which may render such individuals liable to taxation in respect of undistributed profits of the Fund.

Clearance has been obtained from the Board of Inland Revenue under Section 464 of the Income and Corporation Taxes Act 1970 that the provisions of Section 460 of that Act (cancellation of tax advantages from certain transactions in securities) will not apply.

The Directors are advised that the Fund is an "Offshore Fund" for the purposes of Sections 92-100 of the Finance Act 1984 which will have the effect, in certain circumstances, of subjecting persons resident or ordinarily resident in the United Kingdom to income tax or corporation tax (at the rate applicable to income) on gains arising on disposals of interests in Offshore Funds, unless those Funds are certified by the Board of Inland Revenue to be "Distributing Funds" and to have enjoyed that status throughout the period during which shares have been held. To obtain certification as a Distributing Fund an Offshore Fund must comply with certain restrictions on investments and pursue a full income distribution policy, that is to say it must distribute not less than 85% of its income for any accounting period being not less than 85% of its United Kingdom equivalent taxable profits for that period. United Kingdom equivalent taxable profits may include profits (less losses) derived from short-term transactions and income deemed to have accrued on securities pursuant to Sections 73 to 77 of the Finance Act 1985. It is the intention of the Directors to conduct the Fund's affairs in such a manner and to implement its distribution policy so as to achieve, insofar as it is able, certification as a Distributing Fund. Where such certification has been obtained Shareholders who are resident or ordinarily resident in the United Kingdom will, unless otherwise exempt, normally be liable to United Kingdom Capital Gains Tax or corporation tax (at the rate applicable to gains) in respect of gains arising from the disposal or redemption of Shares.

Sections 82-91 of the Finance Act 1984 charge companies resident in the United Kingdom to corporation tax (at the rates applicable to income) in certain circumstances in respect of the income of companies resident outside the United Kingdom in which they are shareholders. In general terms these provisions will only apply to a company which together with its associates is interested in 10% or more of the Shares of the Fund, if at the same time the Fund is controlled by persons who are resident in the United Kingdom.

AUDITORS' REPORT

The following is a copy of a report addressed to the Directors of the Fund by Peat, Marwick, Mitchell & Co., the Auditors of the Fund:-

Vallis Building
P.O. Box No. 906
Hamilton 5-31, Bermuda
25th November, 1985

The Directors
Thornton Oriental Income Fund Limited
The Bank of Bermuda Building
6 Front Street
Hamilton 5-31
Bermuda

Dear Sirs,

Thornton Oriental Income Fund Limited (the "Fund") was incorporated on 11th October, 1985. As at the date hereof, no accounts for the Fund have been made up and no dividends have been declared or paid. The Fund has not commenced business.

Yours faithfully,
Peat, Marwick, Mitchell & Co.

APPENDIX I
MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association and Bye-laws of the Fund comprise its constitution.

The Memorandum of Association provides in Clause 7 that the main object for which the Fund is formed and incorporated is the business of a mutual fund company with various powers to hold and deal in investments and securities of all kinds.

The Bye-laws of the Fund include the following provisions —

1. Share Rights

The Founders Shares of US$1.00 each have been created in accordance with the laws of Bermuda and are all held by the Managers. Founders Shares carry the voting rights described in paragraph 6 below, carry no right to a dividend and in a winding up rank only for a return of paid up capital (after the return of paid up capital on the Shares). Founders Shares are not redeemable.

Shares carry a right to dividends declared by the Fund. Each holder of a Share is entitled to the voting rights described in paragraph 6 below. A holder may appoint one or more proxies to attend General Meetings. On a winding up each Share has a right of return of paid up capital and a right to share in surplus assets of the Fund after the return of paid up capital on Founders Shares.

2. Calculation of Net Asset Value

(a) The Bye-laws provide that the net asset value per Share of the Fund will be determined as at the close of business in Bermuda on each Dealing Day and will be calculated by reference to the value of the net assets of the Fund.

(b) The value of the net assets of the Fund will be determined in accordance with, inter alia, the following provisions: —

(i) all calculations based on the value of investments quoted, listed, traded or dealt in on any stock exchange shall be made by reference to the last quoted traded price (or, in the absence of any trades, at the last offer price) on the principal stock exchange for such investments as at the close of business on the day for which such calculation is to be made, all calculations based on the value of investments traded or dealt in on any over-the-counter market which is the principal stock exchange therefor shall be made by reference to the latest offer price quoted thereon provided always that, —

(a) if the Directors at their discretion consider that the prices ruling on a stock exchange other than the principal stock exchange provide in all the circumstances a fairer criterion of value in relation to any such investment, they may adopt such prices;

(b) the Directors may, at their absolute discretion, permit some other method of valuation to be used if they consider that such valuation better reflects the value;

(ii) if no price quotations are available as above provided, the value thereof shall be determined from time to time in such manner as the Directors shall determine; and

(iii) any value (whether of a security or cash) otherwise than in US dollars shall be converted into US dollars at the rate (whether official or otherwise) which the Directors shall in their absolute discretion deem appropriate to the circumstances having regard inter alia to any premium or discount which they consider may be relevant and to costs of exchange.

3. Subscription and Redemption Prices

The Bye-laws provide that the Subscription Price and Redemption Price of each Share will be determined by dividing the net asset value of the Fund as at the close of business in Bermuda on the latest Dealing Day preceding the day of subscription or redemption (as the case may be) by the number of Shares then in issue rounded to the nearest whole cent or, in the case of a half cent, rounded up to the nearest whole cent.

The Bye-laws provide that any certificate as to the net asset value per Share and/or the Subscription Price and/or Redemption Price per Share given in good faith by or on behalf of the Directors is binding on all parties.

4. Suspension of Valuations and Dealings

The Directors may suspend the determination of the net asset value of the Fund for the whole or any part of a period during which any stock exchange or over-the-counter market on which any significant portion of the investments of the Fund are listed, quoted, traded or dealt in is closed (other than customary weekend and holiday closing) or trading on any such stock exchange or market is restricted; when circumstances exist as a result of which in the opinion of the Directors it is not reasonably practicable for the Fund to dispose of investments comprised in the Fund or as a result of which any such disposal would be materially prejudicial to Shareholders; when a breakdown occurs in any of the means normally employed in ascertaining the value of investments or when for any other reason the value of any of the investments or other assets of the Fund cannot reasonably or fairly be ascertained; or during which the Fund is unable to repatriate funds required for the purpose of making payments due on redemption of the Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemptions of the Shares cannot in the opinion of the Directors be effected at normal rates of exchange.

5. Variation of Class Rights

(a) All or any of the special rights for the time being attached to any class of share for the time being issued (of which there are none at present save as referred to herein) may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-quarters of the issued shares of that class or with the sanction of a resolution passed with a like majority at a separate General Meeting of the holders of such shares on the Register at the date on which notice of such separate General Meeting is given. To any such separate General Meeting all the provisions of the Bye-laws as to General Meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two members holding or representing by proxy not less than one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders of shares of the class who are present shall be a quorum), that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and that any holder of shares of the class present in person or by proxy may demand a poll. For such purposes the Directors may treat all the classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration but, in any other case, shall treat them as separate classes.

(b) The rights attached to each class of share shall be deemed to be varied by the creation or issue of any shares ranking in priority to them as respects participation in the profits or assets of the Fund.

(c) Subject to paragraph (b) above, the special rights attached to any class of share having preferential or other special rights shall (unless otherwise expressly provided by the conditions of issue of such shares) not be deemed to be varied by the creation, allotment or issue of further shares ranking pari passu therewith.

6. Voting Rights

(a) Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (of which there are none at the present), at any General Meeting on a show of hands every holder of Founders Shares or Shares who (being an individual) is present in person or (being a corporation) is present by duly authorised representative shall have one vote. On a poll every such holder present as aforesaid or by proxy shall have one vote for every share held.

(b) To be passed, resolutions of the Fund in General Meeting will require (save as referred to in paragraph 8 below) a simple majority of the votes cast by Shareholders voting in person or by proxy at the meeting at which the resolution is proposed.

7. Directors

(a) The remuneration of the Directors shall be determined by the Fund in General Meeting. The Directors may also be paid, inter alia, for travelling, hotel and other expenses properly incurred by them in attending meetings of the Directors or in connection with the business of the Fund. Any Director who devotes special attention to the business of the Fund may be paid such extra remuneration as the Directors may determine.

(b) A Director may hold any other office or place of profit under the Fund (other than the office of auditor) in conjunction with his office of Director, or may act in a professional capacity to the Fund on such terms as the Directors may determine. No Director shall be disqualified by his office from contracting with the Fund in any capacity, nor shall any such contract or any contract or arrangement entered into by the Fund in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Fund for any profit realised by any such contract or arrangement by reason of such Director holding that office if he shall declare the nature of his interest. However, with certain limited exceptions in the case of obligations incurred on behalf of the Fund, and of proposals concerning other companies in which he has a beneficial interest of less than 1%, a Director shall not vote and shall not be counted in the quorum in respect of any contract or arrangement in which he is so interested, and if he shall vote, his vote shall not be counted.

(c) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any such office or place of profit under the Fund or at which the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of terms thereof.

(d) There is no provision in the Bye-laws requiring a Director to retire by reason of any age limit and no share qualification for Directors.

8. Extraordinary Resolutions

A majority of not less than 75% of shareholders present in person or by proxy and (being entitled to vote) voting in General Meeting is required in order to

(i) rescind, alter or amend a Bye-law or make a new Bye-law;

(ii) increase the fees paid to the Custodian or the Managers;

(iii) wind up the Company.

No Bye-law shall be rescinded, altered or amended and no new Bye-law made unless the same shall have been proposed at a meeting of the Directors.

9. Restrictions on Shareholders

The Directors have power to impose such restrictions as they may think necessary for the purpose of ensuring that no shares in the Fund are acquired or held by —

Expansion at Leigh Interests

Leigh Interests, waste disposal group, has lifted its pre-tax profits to £720,000 in the half-year ended September 30, 1985, despite some loss-making areas. The comparable period produced £415,000, having been depressed by losses in the Northern Region.

Mr Bill Pybus, the chairman, says the improvement this time stems mainly from increased competitiveness of the main-stream waste disposal activities which are showing the benefits of rationalisation and integration.

Sales in the half year advanced from £12.09m to £19.34m. Net profit came to £432,000 (£228,000) for earnings of 3p per share (2.2p) and the interim dividend is lifted to 1.3p net (1p).

A profit contribution was made by Cartways, which joined the group following the successful bid for MJI Corporation, and from Hales Industrial Services.

Mr Pybus says losses were incurred in certain of the non-waste companies of MJI and by Contract Gully Cleansing.

The loss making Roche Plant Hire was sold in July for a nominal consideration. Since then cash realisations have been agreed or received totalling £470,000, and further disposals are anticipated in the coming months.

Peters Stores plans new image as losses hit £2m

FACED WITH growing losses Peters Stores has decided to sell most of its 40 shops and become a property company.

The final blow for the almost 60-year-old business came when it recently had to "sell off most of its summer stock at cost prices following the poor weather," said Mr Julian Gould, the chairman.

"So the board has decided that the retail side must go," Mr Gould said yesterday. "We have had a property sideline for some years and the rent roll from this has contributed £600,000 to trading profits which was wasted given the losses made at almost all the shops."

Peters Stores has run up pre-tax losses of £1.9m in the year to June 29—last year the company made a loss of £135,000.

The aim of the planned transition to property company status is to protect shareholders' funds by reducing running losses and substantially reducing debt.

Meanwhile, the final dividend is being omitted leaving shareholders with a 1.5p reduction in their net total to 0.5p. It is hoped to resume payments as soon as possible after completion of the group's consolidation.

In addition to the closure and disposal of retail trading outlets and stock, certain properties from the group's investment portfolio which have a limited potential for further significant capital growth will also be sold.

The present intention is to retain the Isaac Walton department store which is expected to trade profitably in the current year.

The planned course of action has received full support of the group's bankers and adequate facilities have been made available to assist in achieving its immediate objectives.

The losses and costs involved in withdrawing from retailing will be substantial, but the directors believe that on completion the group will be able to re-establish itself as a successful property investment and development group with negligible borrowings and a net asset value of approximately £3.5m.

For the past year (to June 29, 1985) turnover remained fairly static at £9.37m (£9.21m for 53 weeks) but at the trading level the Tyne and Wear based group, which operates 38 Keen Jeans fashion clothing shops, Isaac Waltons and several other clothing shops, ran up losses of £741,000, compared with previous profits of £501,000.

• comment

The high streets are buzzing with takeovers and mergers, the stores sector runs near the top end of the market and the cash tills apparently never stop ringing—unless you are Peters Stores. This family-controlled business, based in the admittedly less favoured north-east and north-west, has had such hard time of it that it is giving up the retailing ghost. If the disposals go according to plan, by June 1986 only one store might remain from the present 40. In the place of the shops will be a modest property concern worth just over £1 a share in net asset terms. Yet to come, however, are the costs of the withdrawal from retailing. Even if the purchasers take most of the shop floor staff, there has to be little future for some of those engaged in the buying and other administrative departments. The shares, down 6p at 70p, reflect uncertainty as to the capacity of Peters to make the transition smoothly as well as the awful figures. But someone out there in the market appears to be happy enough at the falling price to be quietly accumulating shares—and the family may not be in the mood to resist.

Sekers well ahead at £0.6m

SALES AT Sekers International, maker of furnishing fabrics, rose by 14 per cent from £8.51m to £9.74m in the six months to September 30 1985, while pre-tax profits jumped 67 per cent to £631,000, against £377,000.

At the annual meeting in September, the company said that prospects for 1985-86 were looking good and that sales improvement would continue throughout the first half.

Current levels of activity and present order book levels lead the board to remain confident about the outcome for the full year.

After a higher tax charge of £259,000 (£25,000) attributable profits were £20,000 higher at £372,000 giving earnings per 10p share up from a stated 3.6p to 3.8p.

The net interim dividend is lifted from 0.6p to 0.8p per share—last year's total was 2p on £1.33m pre-tax profits.

Exports by the group continue to be at a high level, with all its manufacturing companies contributing to this.

The group has continued its policy of improving efficiency in its manufacturing operations by investment in the replacement and updating of plant and machinery.

Southwest Resources advances 55% to £1.85m in first half

Southwest Resources raised pre-tax profits by 55 per cent from £1.2m to £1.85m for the six months to September 30 1985.

Turnover of this USM company, which has interests in mining, mineral processing, oil and gas exploration and production, amounted to £4.27m, against £3.66m.

There was again no tax charge and earnings per 40p share showed a more modest improvement—from 3.39p to 3.55p—reflecting the increased capital resulting from last February's rights issue.

No interim dividend is proposed as it is considered more appropriate to confine the payment of dividends to an annual basis at the current stage of the company's development. Last year's payment was 0.7p net on £3.16m taxable profit.

Mr Max Lewinsohn, the chairman, says that in the US lower prices were more than offset by an increase in the volume of oil produced—average monthly production rising from 7,335 barrels to 12,775 barrels. Gas production was fractionally lower than before. The company continues to exploit opportunities provided by the depression in the industry to buy producing properties at advantageous prices and has recently bought an operating interest in a Montana oil field that is expected to pay-out within three years.

In UK and Europe, as announced, the company has concluded an agreement to sell its North Sea interests for £8m, which will provide a £5m net boost to cash flow. A proportion of profit from this sale will arise in the second half of the year, but the bulk will fall into next year's figures.

Onshore UK, the company is involved in two groups applying under the first round of onshore licensing and has farmed into an existing licence area in Scotland, where an exploration well is due to be drilled shortly following an earlier gas find.

The company is also represented in consortia applying for onshore and offshore licences in Continental Europe.

The company's Far East interests are now primarily held through its investment in William Hunt Holdings.

Prontaprint rises 58% to £356,000

PRONTAPRINT HOLDINGS, the franchisor of high-speed print shops which came to the USM in June, raised pre-tax profits in the 28 weeks to October 11 1985 by 58 per cent from £226,000 to £356,000.

This was on turnover of £1.81m (£1.43m). Tax took £136,000 (£97,000) and earnings per share rose 49 per cent from 2.15p to 3.21p. A maiden interim dividend of 1p is being paid.

Franchise sales at the group's UK print shops increased by about 21 per cent in the period to £12.7m. Performance at Popplos, the franchise domestic cleaning subsidiary, met expectations. However, Fudge Kitchen, a specialist confectionery retailer, has taken longer than was envisaged to develop and refine.

The group's international development has continued with a master licence signed in October with Multifranchise, a specially formed French company in which the group has taken a 10 per cent interest. The opening of shops in the countries covered—France, West Germany, the Netherlands, Switzerland and Austria—is expected to be accelerated as a result. In addition, Prontaprint shops have opened recently in Copenhagen and Oman.

UK COMPANY NEWS

Norton Opax doubles and record year in sight

STRONG TRADING by specialist printer and publishor Norton Opax in tho half year onded September 30, 1985 has led to the pre-tax profit being doublod to £2.13m, against £1m, despite a large increase in bank interest.

The trend has continued into the second half, says the chairman Mr David Rocklin, and he anticipates reporting another record year. In 1984-85 tho group made £2.2m.

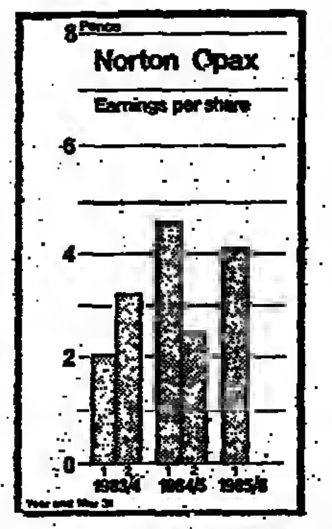
Shareholders receivo an increase in their interim dividend from 0.83p to 1p not—tho final last time was 2p.

Mr Rocklin recalls that last year be said results of the two halves had been brought more into balance. This has been short-lived, he says, as Sir Joseph Causton (purchased last January) has traditionally earned two-thirds of its profits in the second half.

This affects the half year's earnings per share as they are calculated on 30.5m shares (13.79m)—they show a reduction from 4.68p to 4.12p.

It is likely, however, that some balance will be restored in 1987 as the Causton retail businesses are being sold for over £5m cash to William Collins on January 3.

Turnover in the half year rose by 92 per cent, from £17.77m to £34m while the operating profit showed a mncb greater rate of growth to £3.27m (£1.28m). Bank interest payable roso to £1.15m (£284,000).



After tax £809,000 (£352,000) and minorities £60,000 (nil), the available profit is £1.26m (£572,000 after not redundancy costs £82,000). Cost of the interim is £310,000 (£125,000 after £22,000 waived).

At the end of September the company acquired the Whitehorn Press, publisher of tho monthly County magazines.

Mr Rocklin says the sale of the retail subsidiaries will enable the group to concentrate resources on the development of the four sectors comprising the mainstream specialist printing and publishing activities. It will also reduce borrowings by some £7m and save around £1m per year in interest.

● comment

The acquisition of Sir Joseph Causton has made the world of difference to Norton Opax. What was once a lottery tickot printer bas through this and other purchases quickly expanded into a specialist printer with a £70m plus annual turnover. Selling off three retailing units from within tho Causton stable for £5.3m plus debts of £1.7m has reduced gearing from a very bigh level to 30 per cent of shareholders' funds. The disposals will also remove a strongly seasonal olement from within the group. However, a two to one imbalance in favour of tho second half seems certaln this year as the sale of the retail units will not tako effect until January. Tho £7m reduction ln debt will also only impact on the last quarter of the year—saving some £250,000. Forecasts have been hoosted on this strong first half performance, to £4.8m for the year. This haa the shares at 138p, up 10p, trading on a prospective multiple of 11 assuming 38 per cent tax in the second half. Thia should see earnings going ahoad with perhaps enough being retained to fund another purchase.

Sheraton up 51% to £661,000

Profits made by Sheraton Securities International, property investmeot and dealiog company, continued to increase in the six mooths to September 30 1985. Pre-tax lhoy rose 51 per cent from £437,000 to £661,000, after interest payable of £42,000, up from £7,000 previously.

Net property income in tho six mooths rose from £444,000 to £703,000. Rental income was up from £358,000 to £436,000 aod property sales advanced from £792,000 to £2.28m.

Mr Henry Clarke, Jr, the company's US-based chairman, says tho results show a further significant improvement and continue to reflect tbe progress mado by the group. Earnings per share iocreased 60 per cent from 0.5p to 0.8p.

An intorim dividend is being paid for the first time since tho company joined tho USM in 1982. The payment of 0.25p per share is in addition to a final dividen

Beatle City to be sold and moved to London

LESS THAN two years after opening its doors in Liverpool, tho Beatle City Exhibition Centre is being sold and will be relocated in London.

Radio City (Sound of Merseyside), the ownor of the Centre, says attendences havo again been disappointing and furthor losses incurred.

The Centre openod in April 1984 after three years of planning and collecting exhibits connected with the famous pop group. It was hit by the counter attraction of the International Garden Festival in that City but an improvemont in attendances was expected durlog the summer.

Six months ago it said it was ondeavouring to make more viablo arrangements for the future of this "valuablo exhibition."

In the year ended Septembor 30 group accounts of Radio City show that losses have accelorated to £181,000, compared with a profit of £262,000, and shareholdors are not receiving a final dividend—the intorim was also omitted. The 1983-84 payments were interim 1.8p and final 3.8p.

Throughout tho year the company suffered from a shortfall in national advertising rovonuo and, hecause of the economic and othor difficulties of Morseyside, a drop in local content. However, efforts to cut orpenditure bave succeeded in that the radio station made a small profit. Overall, turnover fell to £2.84m (£3.65m).

IBA primary rentals cost £295,000 (£296,000 and secondary rental £19,000) and not intorest payahle was £51,000, against a credit of £46,000 last time. Loss per share is 3.31p (earnings 6.04p).

An extraordinary provision of £65,000 is mado for the anticipaied loss on the sale of the Centre, although this will occur outside tho financial year. Heads of Agreement for the sale have been signed. Radio City will have an interest in the profits of the London exhibition for 10 years.

Share Drug profits rise by 62% to record

IN ITS first set of full year results since its flotation on the USM last year Share Drug Stores has reported record profits and turnover for the year ended August 31 1985.

On turnover up by 50 per cent from £16.01m to £24.01m, pre-tax profits were £1.37m, against £851,000, an increase of 62 per cent. The Southampton-based discount drug storo operator is paying a total dividend of 1.8p, with a proposed final of 1.2p. A total payment of not less than 1.7p was forecast at the time of the flotation.

Earnings per 10p share came out at 8.93p, against last year's 7.04p.

Tho shares closed the day at 283p, up 10p, compared with a placing price of 140p a year ago.

During the year 19 new stores were opened, mostly in the group's established area in the south and wost of England, three moved into larger premises and two were oxtended. A total of 55,000 sq ft was added to the net selling space of 105,000 sq ft mentioned in the placing document.

The growth of own brands continued, accounting for 26 per cent of turnover, compared with 20 per cent.

Operating profit was £1.45m (£811,000) and the pre-tax figure was struck after interest charges of £80,000 (£53,000). Last time there was also exceptional property profits of £93,000.

The tax charge was £572,000 (£281,000) and dividends took £55,000 (nil).

In the present year tho expansion will continue with a planned 25 new stores, of which five are already trading, with a further five moving to larger premises and one being extended.

Thew Engineering £1m cash call

Thew Engineering Group of Southampton is raising £1.03m, before oxpenses, via a rights issue of 3,419,431 now ordinary 1p shares at 30p per share. The Issue has boen underwritten by Harvard Securities.

Tho directors believo it desirablo to broadon the company's capital base, following continuing growth in all divisions—workshops, marine, construction and Graveldalo.

They explain that many of the group's contracts are long term and cannot be financed out of profits alone. The issue will enablo tho group to take advantage of opportunities as thoy arise.

FT COMMERCIAL LAW REPORTS

Seller's duty to have goods ready

THE BELGRANO

Court of Appeal (Lord Justice Kerr, Lord Justice Stephen Brown and Lord Justice Ralph Gibson): November 20 1985

WHERE THE buyer under an fob contract has an option as to time of shipment within a continuing shipment period he must give the appropriate notice to the seller, and though the seller may not have the goods ready for loading at the time notice of readiness is given, he is not in default if he makes them available when the ship is ready to receive them.

The Court of Appeal so held when allowing an appeal by sellers from Mr Justice Bingham's judgment upholding two awards of the Board of Appeal of the Grain and Feed Trade Association (Gafta). The Board had held that the sellers under two identical string contracts were in default. The final buyers in the string were Sosimaga SpA who bought from Italgrani di Francesco Ambrosia, who bought from Tradax Export SA at the head of the string. The effective issue was between Sosimaga as buyers and Tradax as sellers.

[An "fob" (free on board) contract is one in which the seller of goods is responsible for getting them to the ship at the agreed port and for loading (but not stowing) them on board.]

LORD JUSTICE KERR said that on February 4 1974 Sosimage bought soyabean meal from Italgrani at $197 for shipment February 1975. On January 11, 1975 Italgrani bought the same quantity on the same terms from Tradax at $207 per ton.

Both contracts were on fob terms and incorporated Gafta form No 119 (November 1974 ed), since revised as from June 1, 1983.

Clause 7 of form 119 provided: "Period of delivery—During March 1975 at buyer's call. Buyers shall give at least 15 days' consecutive notice of probable readiness of vessel." A typewritten clause provided "One Gulf port . . . at seller's option. Buyers to give 15 days' loading notice."

On March 14 1975 the buyers under each contract nominated the Belgrano to load 4,750 tons in total fulfilment "ETA US Gulf March 31/April 5," and requested the name of the shippers. The sellers accepted the nomination on March 27.

On March 20 the sellers declared Belle Chasse as the loading port. On March 21 and April the buyers again requested the shipper's name. They had no contractual right to require identification of the proposed shipper, although in practice such information might often be given.

On April 2 the Belgrano arrived and anchored at Belle Chasse.

On April 3 at 7.16 the buyers telexed "vessel ready at Gulf and till now we have not yet shipper's name. Therefore we advance our amplest reserves and we hold you responsible for all consequences . . ." The message was passed up the string to Tradax.

At 11.55 notice of readiness to load was tendered by the Master to agents of Bremar Handels, owners of two parcels of 4,750 tons each which Sosimage had purchased in string from other sellers. The notice was accepted.

On April 4 Tradax bought 4,750 tons from Contigrain at $143 per ton, shipment terms being to "suit vessel Belgrano expected to load about April 6 at Belle Chasse."

On April 6 the vessel began to load the Bremer Handels parcels.

On April 7 at 11.48 Sosimaga declared the sellers to be in default—"vessel cannot load .. because we don't know shipper's name. View non-fulfilment, we withdraw nomination of vessel and consider February quota cancelled." At 11.59 Tradax advised Italgrani and Sosimaga respectively that the shippers were Contigrain. At 12.04 Italgrani similarly declared Tradax in default. At 22.00 the vessel completed loading the two parcels bought by Sosimaga from Bremar Handels.

On April 8/9 discussions followed between the two parties. It was agreed that the vessel should load the 4,750 tons under both contracts at $153 per ton, without prejudice to the sellers' right to claim the full contract price by arbitration on the ground that they had not been in default.

In the subsequent arbitration an umpire awarded in favour of the buyers in each case. The sellers appealed to the Gafta Board of Appeal. The Board concluded that it was the duty of an f.o.b. seller "to have the contractual goods ready for delivery to the buyer's vessel on call within the contractual period of delivery. Therefore the f.o.b. seller is in default ... if, on receiving a notice of readiness from a buyer's vessel he does not, at that moment... have the goods ready for delivery."

The Board held, therefore, that the sellers were in default when Belgrano gave a notice of readiness, and the buyers were entitled to declare them in default.

Mr Justice Bingham upheld the awards and the sellers now appealed.

Benjamin's Sale of Goods 2nd ed 1981 stated that it was the duty of an fob seller to put the goods on board a ship nominated by the buyer, and that under a classic fob contract the seller was under no duty to ship until the buyer had given proper shipping instructions (see paragraphs 1782 and 1796).

Paragraph 1797 stated that where the contract called for shipment within a continuous period, eg during a particular month, the seller might be bound to ship before the end of that period. That depended on which party had the option as to the time of shipment. If the option was expressly given to the buyer, the seller was bound to ship "within a reasonable time of receiving shipping instructions from the buyer." Where the contract did not state who had the option as to time of shipment, the rule was that under a classic fob contract the option was the buyer's who was normally entitled to call for shipment at any time during the period. The seller was correspondingly obliged "to put the goods on board any ship nominated by the buyer which is capable of receiving shipment within the period."

The scheme of the present contracts was in line with paragraph 1797. Since the buyers had the option of determining the time for loading within the shipment period they were entitled to "call for shipment." That was the effect of the words "at buyer's call." The sellers' obligation was then "to put the goods on board any ship nominated by the buyer which is capable of receiving shipment within the period."

In *Bunge v Tradax [1980] 1 Lloyd's Rep 294* it was held that the buyer's obligation to give 15 days' notice was a condition of the contract. It was also a condition that the vessel should arrive and be ready to load in sufficient time to allow loading before the end of the shipment period: *Bunge v Tradax [1975] 2 Lloyd's Rep 235.*

If those conditions were complied with by the buyer then the seller was obliged, also as a condition, to load the goods before the end of the shipment period. The seller could not be in breach of condition if the vessel had in fact been loaded at a reasonable rate or at the agreed rate.

It therefore followed that the buyers could not hold the sellers in default at any time when the sellers were ready able and willing to complete loading at the applicable contractual rate before expiry of the shipment period.

If and when the buyers had complied with their obligations, the sellers' only ensuing obligation was to effect delivery by loading the appropriate quantity of goods of the contractual description on board the vessel when the vessel was ready to receive them.

They were under no obligation to have goods available and ready for loading at an earlier time. No authority was cited to suggest the contrary. No such obligation, let alone in the nature of a condition, could be extracted from "at buyers' call."

The purpose and effect of those words were merely that the buyers had the option of calling for the goods to be loaded at any time during the shipment period when the vessel provided by them was ready to do so. The only situation in which it could be envisaged that sellers might be obliged to have the goods ready for loading before the vessel was ready was if non-availability of the goods prevented the vessel from getting to the berth and giving notice of readiness. That might happen with "arrived ships" under charterparties.

It was far from clear what the Board of Appeal had in mind as having been the buyer's call. The only notice of readiness was the one given to Bremar Handels agent.

Even assuming that a call had been made there was no doubt that the Board had misdirected itself in law. It took the view that an fob seller was in default if, on receiving notice of readiness, he did not have the goods ready for delivery.

There was no legal basis for that proposition. The sellers' only relevant obligation was to deliver the goods by loading them when the vessel was ready to receive them. The appeal should be allowed.

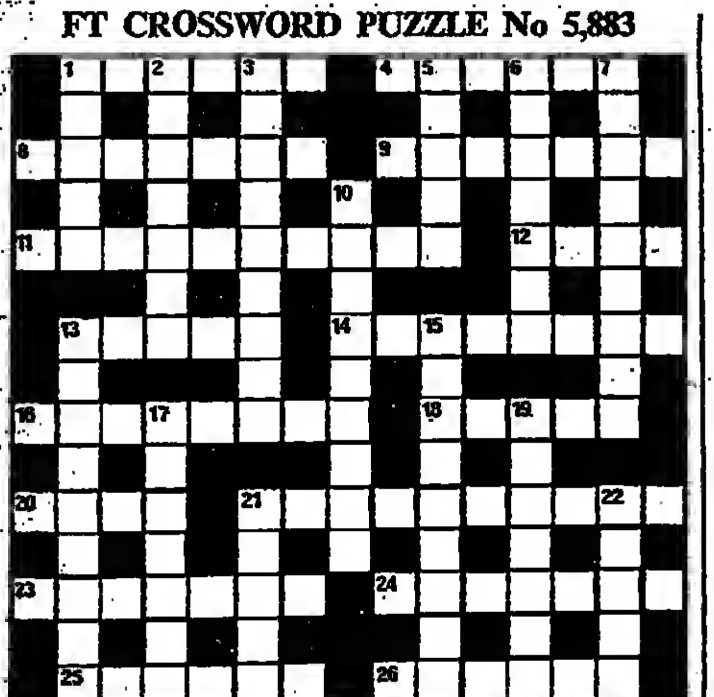
Lord Justice Stephen Brown and Lord Justice Ralph Gibson agreed.

For the buyers: David Grace QC and Christopher Hancock (Middleton Potts & Co).

For the sellers: David Johnson QC and Mark Havelock-Allen (Sinclair Roche & Temperley).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 5,883



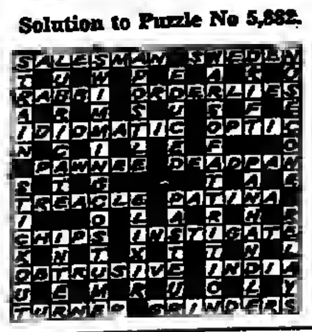
ACROSS

1 Is primate able to offer hors-d'oeuvre? (6)
4 Managed to get detectives' rank. (6)
8 Fried bread swindle involving large party (7)
9 Try to arrange a race-measure exercise (7)
11 Manage to install one in modern church (10)
12 He repelled some trouble once (4)
13 Paint-spraying chore (5)
14 Turned aside from truth through poetry (8)
16 True about singer's answer to charges (8)
18 Took chance of introducing soldier to father (5)
20 Accustomed to being employed (4)
21 Military body showing aloofness (10)
23 Stayed behind and made attempt to hold artist back (7)
24 Spoke at length adding fresh detail to initial discourse (7)
25 He thinks too much of himself, for example, so it seems (6)
26 Anger about ben damaged by stick (6)

DOWN

1 Dog journalist made better (5)
2 Support expressed in hours perhaps (7)
3 Shut up about leading Russian poet being prudent (9)
5 Change somewhat final terms (5)
6 Has a tendency in church to remove impurities (7)
7 Dispirited by document about journalists (9)
10 Lay down conditions of sale: put it about (9)
13 Leading a nation to exaggerate? (9)
15 Editor's responsibility for colour operation (9)
17 Suffer as limbo dancer must? (7)
19 Storm with anger about misleading map (7)
21 Straighten lady's gown (5)
22 Part of piece inspired by relative's rise (5)

Solution to Puzzle No 5,882



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	99.8	106 3	-0 2	1 49
Income & Growth	45 7	48 7	+0 1	3 00
Special Situations	57 0	60 7	-0 3	1 50
American Growth	27 1	29 U	+0 2	1 80
Japan Growth	34 6	36.8	-0 2	—
European Growth	43 0	46 8	-0 1	2 88
UK Growth	43 2	46 2	+0 5	0 90
Pacific Growth	31 9	34 2		2 20
High Income	29 2	31 2		7 30
Practical Income Units	44 4	47 3		2 10
Practical Accum Units	79 9	85 1	+0.1	2 70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	69 7	76.1	+0 2	3 32
Accum Units	103 0	109 6	-0 4	3 32
Pearl Inc.	98 8	105 1	+0 7	4 76
Pearl Unit Tst	105.0	111.7	-0 8	1 76
(Accum. Units)	177.1	188.6	+1.2	3 76

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 516868

Growth	207 3	222 5	-0 5	1.53
Income	153 0	164 7	+1 0	5.28
Worldwide Recovery	118 7	127 4	+0.7	2 16
American Growth	56 8	61 0	-0 1	1.10
Intl Emerging Cos	61 6	66 3	-0 1	0 75
Far East Growth Fd.	52.3	56 1	+0.2	1.19

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544

Prolific American Inc	47 6	50 6	-0 1	5.20
Prolific Far East	111.0	110 9	-0 7	0.10
Prolific Extra Inc	68 8	73 9	+0 5	3.39
Prolific Convert & Gilt	85 2	90 4	+0 7	7 00
Prolific High Inc	145 5	154 3	+1 1	4 85
Prolific Intl.	40 2	43 0	-0 1	1.61
Prolific N. Amer	115.2	122 6	-0 5	2.36
Prolific Spec. Sits	161 9	111 7	+1 4	1.34
Prolific Technology	98.2	104 5	-1 0	0.68

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	53.5	56 1	-0.4	0.21
Japan Acc	53 6	56.8	-0 4	0.21
Worldwide Inc.	53 5	56 7	-0 1	1.85
Worldwide Acc.	34 1	37.3	-0.1	1.85
European Tst Inc	62 1	65 8		1 20

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	233 2	246 7		3.88
Equity Acc.*	281 2	297 5		3 88
Fixed Int. Dist.†	114 6	118 7		11.39
Fixed Int. Acc.*	168 0	174.0		11.39

*Prices on Nov 18. Next dealing Dec 11
†Prices on Nov 18. Next dealing Dec 4

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	94 8	100.9	-0 6	1.36
Do Accum.	98 7	105 0	-0 7	1.36
TSB Extra Income	91 9	97.8	+2 7	5 79
Do Accum.	105 7	112.5	+0 8	5 79
TSB General	134 7	143.2	+0.9	3 07
Do Accum	210 1	232 0	+1 5	3.07
TSB Gilt & Fxd Int.	47.2	49.2	+0 3	9.09
Do Accum	59.3	61 8	+0 4	9.09
TSB Income	181 7	193 5	-1 5	4.64
Do Accum	278 0	296 6	+2.8	4 64
TSB Pacific	108.5	115 5		0.62
Do Accum	111.2	118 4		0 62
TSB International	241 1	256 5	-1 3	2 00
Do Accum.	105.9	114 8	-1 6	2 00
TSB Natural Resources	42 8	45 6	+0 4	1.87
Do Accum	43 7	46 5	+0 4	1.87
TSB Sicial. Opps	50 1	53 5	+0 3	2.15
Do Accum	54.5	58.0	+0 4	2.15

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Small Co's Fund	65 1	69.8	-0 4	0 10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

American Eagle	66 7	71.4	-0 6	0 40
Australia	29 1	31.0	-0 5	0.10
Commodity	79 4	85 4	-0 2	2.72
Energy	38.9	41.6	-0.1	2.46
Equity	111.2	110 4	+0 4	3.12
European Spec. Sits.	66 9	71.6	+0.1	0 62
Extra Income	95.4	102.0	+0 4	1.08
Financial	223 3	238.3	-0 9	2.11
Gilt Income	99 1	104 4	-0 7	8.58
Gold Income	51 8	55 4	+0 3	2.25
Gold Acc.	94 3	100 8	+0.5	2.25
Income	68 8	74 0	+0 4	5.56

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV .... $11.83 | +0.11 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $14.36 | +0.07 | —
Inv. Adv. M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech .... $11.05 | +0.03 | —
Dynamic Gwth Fd ..... $10.14 | +0.04 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund .... $10.11 | 10.72 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01 588 1815				
Deposit	11.10			3 Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01 236 0952				
Call Fnd	11.74	8.77	12.86	Gross
7-day Fnd	11.61	8.69	12.73	Gross
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.09	8.29	12.09	6-Mth
7-day Fund	11.05	8.26	12.04	6-Mth
Dollar	6.87			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh. EH2 4DF 031-225 8484				
Full Service Chr Acc	11.00	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01 638 6070				
Treasury Acc	11.00	8.23	12.15	Qtr
Mth. Int. Chq	11.000	0.23	12.18	Mth
Allied Arab Bank Ltd 91-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.50	8.40	12.78	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	8.22	12.2	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.00	8.22	12.20	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.17	0.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus		9.57	14.28	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr

bodies. ● Yield column shows annualised rates of NAV increase. rd ex dividend.

OPTIONS
3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'O'	70	**Oils**	
Guardian	60	Brist. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	30	RTZ Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Platinum market up sharply as dollar falls

By Stefan Wagstyl

PLATINUM PRICES leapt to their highest level since July 1984 yesterday reflecting the fall in the value of the US dollar, and concern about unrest in South Africa as well as hopes of lower interest rates.

Traders said that while investors were heavy buyers of the metal, there was little evidence of demand from industrial companies. Platinum prices rose $14.90 an ounce to $354.50.

The increase also helped take gold up, $2.50 to $331 an ounce, its highest in London for several weeks.

Platinum, which in recent years has usually traded at a discount to gold, has been at a premium several times this year, in reaction to the unrest in South Africa, which accounts for some 79 per cent of the world's known reserves of the metal. Yesterday this premium widened to $25 an ounce.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday) (tonnes)

Aluminium	+7,650 to 114,000
Copper	−6,275 to 188,225
Lead	+5,800 to 57,025
Nickel	+ 630 to 4,896
Tin	− 15 to 49,610
Zinc	−1,550 to 31,725
	(ounces)
Silver	−624,000 to 51,340,000

● TEA PRICES were little changed at yesterday's weekly London auction. Quality and low medium grades were unchanged from last week at average prices of 180p and 103p a kilo respectively. Medium grade was down 2p at 136p a kilo. The Tea Brokers' Association said demand for the 31,898 packages on offer was "fairly good."

● WOODHOUSE, DRAKE and Carey (Holdings), the 200-year-old London commodity trader, has been acquired by the Industrial Trading Corporation of Luxembourg, writes Andrew Gowers.

Woodhouse, which employs about 120 people in London, New York and Hong Kong and specialises in sugar, coffee, cocoa, tea and more recently financial futures trading, said yesterday that the deal took effect on November 20.

It was previously in private hands. The move is the latest in a series of ownership changes affecting London's traditional commodity houses, which have been hit this year by a sharp drop in trading volume on the London Commodity Exchange.

● THE BRITISH Government announced yesterday that it is to abolish the Eggs Authority, the £3.4m a year statutory marketing, promotion and research body for the egg industry.

This follows a report from a review committee, chaired by Lord Peyton.

Mr Michael Jopling, the Minister of Agriculture said that these consultations had revealed "differences of view within the egg industry. We do not consider that we should be justified in retaining a statutory body which does not command the widespread support of the industry concerned."

Copper industry stresses importance of LME

BY STEFAN WAGSTYL

THE LONDON Metal Exchange, which has been struggling for the past month to maintain confidence in its markets in the wake of the international tin crisis, yesterday won a useful vote of support from some of its biggest customers.

The International Wrought Copper Council, which represents copper consumers in 15 European countries and in Japan, said that its members placed "a high value on the established role of the exchange as a daily indicator, by free market means, of the value of copper traded throughout most of the Western world."

In a letter to Mr Jacques Lion, LME Board chairman, the IWCC's Secretary General, Mr Simon Peyton, says that the council supported efforts to restore orderly trading conditions to the LME copper market.

Trading in copper, as in other metals, has been hit by the suspension of trading in tin which came into force on October 24 when the International Tin Council announced that it had run out of money to support prices. The threat that some LME traders might run into difficulties in tin has made clients wary of bringing new business to the exchange.

Brokers last night welcomed Mr Payton's message of support. But it was pointed out that consumers have always been better supporters of the exchange than producers, who have often claimed that free market prices are too low and too erratic.

Metallgesellschaft the metals company is urging the West German Federal Government to intervene in the tin crisis to make clear Germany's backing for loans to the International Tin Council, reports Reuter from Frankfurt.

The company's raw material division head, Mr Heinz Schimmelbusch said Metallgesellschaft had sent a letter tothe Federal Economics Ministry, urging the move.

Metallgesellschaft is among the ITC's 16 creditors and also controls Metallgesellschaft Ltd, an LME broker with outstanding Tin Council contracts.

Meanwhile, Mr Paul Channon, the trade minister, said in a Parliamentary written answer that Britain was still seeking to persuade other member countries of the tin council to declare their willingness to meet their obligations in order to reach a satisfactory solution to the crisis.

On Thursday, Mr Channon is to meet a delegation of Cornish MPs, representatives from tin mining companies and local authorities, who intend to appeal for government aid for the Cornish mining industry.

In Bangkok the Thai cabinet has approved an Industry Ministry proposal to reduce tin export royalties sharply to ease high production costs faced by the country's tin miners.

Crisis lessons for rubber pact

BY PETER BLACKBURN IN ABIDJAN AND ANDREW GOWERS

STATESMANSHIP of a high order will be necessary to negotiate a new commodity pact for rubber by next year, particularly in the light of the tin crisis, the International Rubber Study Group's assembly was told yesterday.

Mr John Carr, secretary general of the 27-nation group, told delegates to its 29th assembly in Abidjan:

"The major crisis in the affairs of the sixth International Tin agreement will inevitably heighten criticism of all intergovernmental arrangements which aim, through economic provisions, to support or stabilise the prices of internationally traded commodities. Inra (the International Natural Rubber Agreement) will not escape this."

But he argued that the atmosphere of mounting crisis surrounding the natural rubber market was tending to obscure the positive side of the outlook, and sought to underline differences between the ITA and Inra, which must be renegotiated by October 1987. The tin pact, for example, unlike that for rubber, only encompasses 60 per cent of world production, and does not fully represent consumers, he pointed out.

The most important lesson from the tin crisis, he said, was that long-term damage can be inflicted on an industry by keeping the price of its product at levels which "do not appear to give full weight to medium- and longer-term supply and demand projections."

The study group has produced a report for the assembly which forecasts that total world rubber consumption will grow by at least 2.4 per cent a year to 19.3m tonnes by the end of the century from its present level of 13.1m. The share of natural rubber in the world market, which has been under attack from synthetic rubbers in recent years, is likely to remain at nearly 33 per cent between now and the year 2000, it says.

Saudis adopt new oil price formula

BY RICHARD JOHNS

SAUDI ARABIA has made a further move towards market-related pricing by adopting a new formula for refined products, according to industry executives.

Companies were informed by telex last week that from now on Petromen, the state oil corporation, will set rates directly in line with quotations in Platt's Oilgram at the mid-point between loading of cargoes and their arrival at their destinations.

The previous "government established price" (GEP) was believed to take into account Platt's quotations but was less than fully responsive to market changes.

The new policy will further improve the margins of petromin's two joint refining ventures with Mobil and Shell, each with a 250,000 barrels a day capacity.

The two facilities were running at only 160,000 b/d in September. As a result of the Saudi Government decision to sell them crude feedstock on a "net-back" basis—according to market realisations for products less transportation and refining costs—throughput has risen to 460,000 b/d.

With the conclusion of three more "net-back" deals recently—involving 100,000 b/d for Neste Oy of Finland, 100,000 b/d for Veba of West Germany, and 50,000 b/d for Motor Hellas of Greece—the total volume of Saudi crude sold on this basis, including the feedstock for the refineries, is now 1.86m b/d, or over half of the Kingdom's exports.

Saudi Arabia has gone even further in moving towards market-oriented pricing by responding to customers requests for immediate oil from its stockpiles in the Caribbean and Europe at negotiated spot prices, according to the latest edition of Petroleum Intelligence Weekly. The news letter reports that policy is to make buyers pay a premium over the rock-bottom "net-back" rate which is reserved for contract customers.

Dominic Lawson adds: The Soviet Union is increasing the price of its export blend crude oil by up to 55c a barrel, as oil spot prices in Europe and North America yesterday continued an unbroken ten day rise.

Statoil, the Norwegian state oil company is also planning to increase the price of the oil it sells from the November rate of between $27.90 and $28.30 to a December price of about $30 a barrel.

The Soviet Union has telexed customers setting a price of $28 for its crude cif the Mediterranean, and $28.15 cif North West Europe. Both prices will be effective from December 1.

An oil trader said yesterday: "The Russians can't go wrong with this. The market is as firm as a pistol." December shipments of Brent, the main North Sea crude were traded yesterday as high as $30.85 a barrel, a 20 cent rise over the closing level of last week. January shipments of Brent broke through the $30 barrier, with a trade done at $30.05, 25 cents higher than previous levels.

A recurrent factor in the oil price rise of the last fortnight has been the scramble for heating oil from an industry facing an early winter cold spell with historically low stocks. There also appears to be an unusually high demand for gasoline in the US.

But the market still seems convinced that crude oil prices are heading for a sharp fall in the spring, as demand falls and oil producing countries scramble to keep customers. The price of a barrel of North Sea oil for delivery in March is still little more than $28.

Hormone fears will not go away

Farmer's viewpoint: by John Cherrington

LAST WEEK. Mr Michael Jopling, Britain's Agriculture Minister, succeeded in stalling proposed EEC legislation banning the use of hormones for fattening cattle.

But his move will probably amount to no more than a holding tactic. It is generally believed that the European Commission's proposal, spurred on by a massive vote in the European Parliament, will eventually be supported by the Council of Ministers and enforced.

The term hormone covers a number of growth promoters which have the effect of increasing the development of muscle on the growing animal and in particular makes acceptable carcases from breeds not generally regarded as beef cattle. They are not known to be used on sheep and they are distinct from the antibiotic feed supplements used as growth promoters by pig and poultry producers.

Their use is said to increase growth rates by between 10 and 40 per cent which, bearing in mind the high cost of feeding, make them almost essential for commercial farmers, particularly when rearing the dairy crossbreds which provide most British beef animals. The EEC has been interested in the subject for some time. In 1981 it banned certain substances but allowed the continuing use of three natural hormones and two synthetics.

They can only be used in Britain on veterinary prescription. The situation is different in the rest of the EEC where supervision is said to be lax or non-existent. A flourishing black market is rumoured to have grown up on the Continent in which the banned substances are freely available.

In general the application of growth promoters is by implanting them at the base of the ear which will ensure that little or no residue can be left in the carcase. Most of them have been eliminated naturally by the time of slaughter and there is no clue at all as to whether they have been used. In general it is probable that at least 50 per cent of British beef cattle have been implanted.

The 1981 ban was a holding operation and an EEC committee has been looking into the long term effects of hormone use. The committee has not yet reported but after five years, it is not believed to have found that any harm is being done to human consumers by hormone treated meat. This has been widely leaked but seems to have been disregarded both by the Euro MPs and the Commission.

Questioned in London last week Mr Frans Andriessen the Agriculture Commissioner, laid down the doctrine that even if scientific evidence favoured the use of hormones or found no harm in the practice the overwhelming factor was the democratic verdict of the European parliament. This was endorsed be added, by a majority of the Council of Ministers, where Mr Jopling was in a minority of one in supporting the continued use of hormones.

Mr Andriessen also underlined the fact that beef was in surplus in the community and the ban would be a help in controlling this. So far supporters of the ban have not produced any firm evidence that the use of hormones is injurious to human health. But past experience of movements of this sort show that once the public gets a notion that such and such a food is unsafe or not as nutritious as it should be no amount of scientific evidence will make it change its mind.

There is something menacing to many people in the knowledge that the meat they are eating comes from animals whose natural rate of development has been stimulated by little understood drugs which are associated with changes in sexual characteristics. At its most extreme the fear is that eating hormone implanted beef could eventually lead to sexual change resulting perhaps in the typical macho male waking up one morning not only a woman but pregnant as well.

Such ideas may be nonsensical to the logical mind but the overall disquiet is there, and is unlikely to be dispelled by the current defence of the present situation. Mr Jopling claims, however, that in the absence of scientific evidence of harmful effects the situation should be left as it is.

Some farmers support this view because without the use of hormones the main dairy crossbred fattening cattle would become almost uneconomic to fatten. They also point out that without the use of hormones beef production costs would soar and the public would have to pay more. This is a poor argument because in any market retail prices are determined not by cost of production but what the consumer will pay.

Farmers are also fearful that were a ban imposed they would have to compete with imports from hormone using countries which could undercut their prices. Mr Andriessen has agreed that no meat imports would be allowed from countries which did allow the use of hormones should they be totally banned in the EEC.

The other argument is that a total ban would drive hormones underground and lead to an extension of the black market, in which case there would be no control of the materials used.

But it must also be said that Britain's National Farmers' Union is ambivalent on this issue and has given no clear guidance because a sizable number of its council members believe that supporting a ban would give farmers a more caring image than they have at present.

LONDON MARKETS

CONDITIONS were relatively quiet on London's commodity markets yesterday with price movements tending to reflect currency factors in the absence of significant fundamental news. On the London Metal Exchange copper prices fell to the lowest level for nearly two years early on but recovered to end the day a few pounds higher. News of a big rise in LME lead stocks last week pushed the market for that metal lower with the cash price ending £14 down at £263.50 a tonne, not much above the low point reached in the immediate aftermath of the tin market suspension. Aluminium prices slipped back following last week's stronger performance and the cash quotation closed at £668.50 a tonne, down £8 on the day. Zinc ended a few pounds lower as sterling's firmness compensated for the bullish influence of a fall in LME stocks. Soft commodity markets were quiet and featureless.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	668-9	−8	672/668
3 months	698-.5	−7.25	698/681.5

Official closing (am): Cash 668-.5 (680-1), three months 692-3 (702-.5), settlement 668.5 (681). Final Kerb close: 691-2.

Turnover: 14,475 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	948-.2	+4	945
3 months	967-.5	+4.5	969/956

Official closing (am): Cash 944.5-5 (947.5-8), three months 964-5 (965-.5), settlement 945 (948). Final Kerb close: 963.5-4.

Cathodes			
Cash	927-30	+4	928
3 months	947-50	+4	

Official closing (am): Cash 927-8 (925-6), three months 944-8 (947-8), settlement 928 (926). Turnover: 28,200 tonnes. US Producer prices 64.50-68.50 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	263-4	−14	262.5
3 months	271.5-2	−4	275-271.5

Official closing (am): Cash 262-.5 (263.5-4), three months 271-.5 (272-.5), settlement 262.5 (264). Final Kerb close: 273-4.

Turnover: 3,975 tonnes. US Spot: 18.75-20 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2740-5	−22.5	2745-2735
3 months	2790-5	−7.5	2775-2755

Official closing (am): Cash 2720-30 (2800-5), three months 2760-5 (2800-10), settlement 2730 (2805). Final Kerb close: 2770-80.

Turnover: 246 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	424.5-5.5	−5	—
3 months	428.5-9	−5	428.5-426

Official closing (am): Cash 424-5 (432-3), three months 427.5-8 (432.5-3), settlement 425 (433). Final Kerb close: 426.5-7.5.

Turnover: 4,575 tonnes. US Prime Western: 33-35.75 cents per pound.

GOLD

Gold rose $2½ to $330¾-331¼ on the London bullion market yesterday, supported by the strength of platinum and the weakness of the dollar. Gold opened at $328-328½, the day's low and was fixed at $330.50 in the morning and $330.20 in the afternoon. It touched a high of $331-331½.

GOLD BULLION (fine ounce) Nov. 20

Close	$330¾-331¼	(£228¼-228¾)
Opening	$328-328½	(£225¾-224¼)
M'n'g fix	$330.50	(£225.500)
Aft'n'n fix	$330.20	(£226.266)

GOLD AND PLATINUM COINS

Kr'g'rnd	$553½-555	(£207½-227¼)
½ Krug.	$175½-176¼	(£180-180½)
¼ Krug.	$89¼-90¼	(£61½-62)
1/10 Krug.	$35½-37	(£20-25¼)
Mapleleaf	$340½-341	(£233-235¼)
Angel	$343-341	(£231¾-233¼)
1/10 Angel	$30-44	(£25¾-30)
New Sov.	$70½-80	(£54½-54¾)
½ New Sov	$47½-48¼	(£32½-66)
Old Sov.	$80½-82	(£55-55)
000 Eagle	$460-500	(£314¾-343)
Noble Plat	$365½-369¼	(£250-253)

SILVER

Silver was fixed 1.1p an ounce higher for spot delivery in the London bullion market yesterday at 426.45p. US cent equivalents of the fixing levels were: spot 625c, up 3.75c; three-month 637.05c, up 10.15c; six-month 648.4c, up 10.05c; and 12-month 614.25c, up 10.4c. The metal opened at 423-426p (621-624c) and closed at 428-432p (628-631c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	426.45p	+1.10	425p	+0.5
3 months	438.30p	+1.45	438.75p	+1
6 months	440.05p	+1.05	—	—
12 months	472.30p	+1.80	—	—

LME—Turnover: 36 (18) lots of 10,000 oz.

Three months high 439p, low 437p. Final kerb 438-40p.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing November 18 1985 totalled 550 tonnes against 1,045 tonnes in the previous week. Interest was shown in East and West African, Turkish, Pakistani and Russian varieties.

MEAT

The market closed unchanged in limited volume despite lower physical prices, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	101.50	101.90	101.90
April	103.00	108.10	103.00
June	100.50	100.30	—
Aug	90.10	99.00	—
Oct	104.50	104.40	—
Nov	105.60	106.10	105.50

Sales: 5 (11) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.29p per kg lw (+0.39). GB—Sheep 146.35p per kg est dcw (−2.18). GB—Pigs 83.46p per kg lw (−0.55).

INDICES

FINANCIAL TIMES

Nov. 25	Nov. 22	M'th ago	Year ago
—	—	—	291.70

(Base: July 1 1952 = 100)

REUTERS

Nov. 25	Nov. 22	M'th ago	Year ago
1717.0	1725.5	1704.4	1651.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 22	Nov. 21	Month ago	Year ago
Spot	120.61	120.34	—	136.72
Fut.	121.40	121.05	—	136.40

(Base: December 31 1974 = 100)

* Not available due to suspension of Tin on LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 25 1985	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt.	$1020/40		$1000/1022
Copper			
Cash h Grade	£948.0	+4	£900
3 mths	£967.25	+4.5	£985.25
Gold Troy oz	$331	+2.5	$320.70
Lead Cash	£263.5	−14	£272.75
3 mths	£271.75	−4	£276.12
Nickel			
Free Mkt	191/221c/lb	−5	190/216c
Palladium oz	$104.25	+6.5	$104.75
Platinum oz	$354.50	+14.9	$356.00
Quicksilver	$280/285		$265/275
Silver troy oz	426.45p	+1.10	430.85p
3 months	438.30p	−1.45	444.15p
Tin cash	*		
3 months	*		
Tungsten	$71.41		$70.75
Wolfram 22.04lb	$60/65		$62/68
Zinc	£425	−3	£415.5
3 months	£426.75	−5	£426.5
Producers	$680/670		$780
OILS			
Coconut (Phil)	$327.5w	+7.5	$435
Palm Malayan	$380z		$362.5
SEEDS			
Copra Phil	$250w		$355
Soyabean (U.S.)	209.4w		$212.5
GRAINS			
Barley Fut. Mar.	£112.65	−0.60	£109.15
Maize	£140.0u		£135.50
Wheat Fut. Mar.	£115.05	−0.55	£109.00
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1705.5	−0.5	£1725.5
Coffee Ft. Jan.	£1871.5	+8	£1885.5
Cotton A Index	48.00c	+0.15	48.65c
Gas Oil Jan.	$278.25	+2.6	$265.5
Rubber (kilo)	56.0p		57p
Sugar (raw)	$159w	−2.5	$129
Wooltops 64s	394p kilo	−1	414p kilo

‡ Unquoted. x Dec-Jan. w Nov-Dec. u Dec. † Per 75 lb flask. c Cents per pound. z Jan.

COCOA

Futures opened lower, as expected, on currency considerations but, in limited volume, rallied to close only marginally lower on the day. Very little physical interest was seen with both producers and consumers withdrawn, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
Dec.	1662-1664	+4.0	1682-1652
March	1705-1706	−0.0	1706-1697
May	1726-1727	−3.0	1727-1715
July	1742-1743	−5.0	1744-1740
Sept.	1760-1772	−6.5	1762-1758
Dec.	1755-1760	−6.5	1757-1750
March	1769-1771	−4.0	1770-1766

Sales: 1,454 (3,227) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 25: 108.12 (107.51); five-day average for November 26: 106.18 (105.50).

COFFEE

Light selling during a quiet opening produced losses of £10-£14, reports Drexel Burnham Lambert. Steadier sterling kept prices under pressure but trade buying, in thin conditions, triggered a £20 rally. Commission house selling and profit-taking took values off the daily highs before good support around unchanged levels encouraged further consolidation.

COFFEE	Yesterday's Close	+ or −	Business Done
Nov	1821-1825	−6.5	1849-1821
Jan	1871-1872	+3.0	1895-1848
March	1913-1914	+14.0	1920-1886
May	1947-1950	+10.5	1956-1925
July	1970-1975	+10.0	1978-1956
Sept	1997-2008	+11.0	1998-1987
Nov	2020-2025	—	2020

Sales: 2,396 (4,332) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for November 22: Comp. daily 1979 141.28 (141.90); 15-day average 140.12 (140.52).

FREIGHT FUTURES

With no fresh news in the physical market, futures underwent a quiet day in slightly easier conditions. A slightly steadier tone developed on the close, reports Clarkson Wolff. The Baltic Freight Index was 901.5, down 1.

	Close	High/Low	Prev.
Jan.	885/888	888/883	892/894
April	940/945	—	947/950
July	827/831.5	—	830/840
Oct.	915/920	915/912	920/922
Jan.	930/955	—	935/960
April	990/1000	—	990/1000
July	851/885	885	840/875
Oct.	950/1000	—	950/1000

Turnover: 39 (35).

GRAINS

Wheat opened 25p higher on stronger physical trade but failed to rally and long liquidation gradually eased values for the rest of the day. Barley was extremely thin, falling away on lack of buying interest, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterday's close	+ or −
Jan	115.00	−0.60	109.90	−0.60
Mar	110.55	−0.55	112.55	−0.60
May	118.30	−0.55	114.80	−0.75
July	120.45	−0.55	—	—
Sept	98.05	−0.05	98.90	−0.12

Business done—Wheat: Jan 113.65-3.00, Mar 110.45-5.75, May 118.15-8.30, July 120.75-20.50, Sept 98.95 only. Sales: 368 lots of 100 tonnes. Barley: Jan 110.40-09.75, Mar 113.05-2.40, May 115.30 only. Sales: 38 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Nov 131.50, Dec 132.50, Jan 135, Feb 139.50 transhipment east coast. US no 2 soft red winter Dec 118.25, Jan 18.25, Feb 19.50 sellers. EC French Nov 191 quoted. English feed fob Nov 112.50, Dec 113.50 sellers, Jan 117.0-117.50, Jan/Mar 118.00-118.50 buyers/sellers, April/June 122.50 sellers. Maize: US no 3 yellow/French transhipment east coast Dec 140. Barley: English feed fob Nov 111.50, Dec 112.50, Jan/Mar 110.50, April/June 120 sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: E Mids 108.10, Scotland 104.20. The UK monetary coefficient for the week beginning Monday, December 2 (based on HGCA calculations using 4 days' exchange rates) is expected to remain unchanged at 1.000.

POTATOES

The market opened 80p down, basis April, but keen buying interest rapidly firmed levels. In a more active afternoon prices rose £5.00 on the day following rumours that several lots of Dutch origin Bintje had been tendered but were being rejected by the buyer. As values pushed higher stop-loss orders added to the momentum, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	84.00	82.00	83.50-82.00
Apr	95.00	90.20	96.60-89.50
May	101.50	96.30	101.00-96.50
Nov	74.00	73.80	—

Sales: 1,325 (1,499) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 70p down on stronger sterling, reports T. G. Roddick. Prices remained under pressure on light liquidation and commission house selling.

	Yesterday close	+ or −	Business Done
	£ per tonne		
Dec.	121.5-123.5	−0.65	125.0
Feb.	124.0-124.5	−1.15	124.2
Apr.	124.5-124.7	−1.60	125.8-124.0
June	120.5-120.7	−1.40	123.0-120.5
August	120.0-120.8	−1.35	120.5
October	121.0-122.5	−1.50	122.0
Dec.	122.0-124.5	−1.75	—

Sales: 125 (287) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $139.00 (£95.00), down $2.50 (down £3.00) a tonne for November-December delivery. White sugar $179.00, down $1.50.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Dec.	144.2	146.0-152.0	—
Mar.	160.6-160.8	160.2-160.6	162.4-160.4
May	164.8-164.9	163.4-164.2	166.2-164.6
Aug	170.8-170.9	169.4-170.2	171.8-170.0
Oct	173.6-175.0	174.7-174.2	175.2-173.2

The market rose $2 from pre-weekend levels, but when New York turned easier all the gains were lost, reports C. Czarnikow.

Sales: 1,47 (2,000) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £156.50 (£202.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 22: Daily price 5.57 (5.31); 15-day average 5.87 (5.48).

PARIS—(FFr per tonne): Mar 1412/1415, May 1428/1434, Aug 1465/1475, Oct 1496/1013, Dec 1520/1530, Mar 1568/1583.

RUBBER

PHYSICALS—The London market was extremely quiet throughout the day, reports Lewis and Peat. Closing price (buyers): spot 56.00p (same), Jan 54.00p (54.50p), Feb 54.50p. The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1 was —— (177.0) and for SMR 20 —— (169.5).

OIL

A squeeze on short sellers of December Brent resulted in early December-dated cargoes being quoted at a small discount. January WTI opened 7c up on Nymex and traded 18c up at 1pm EST. In the petroleum products market gas/oil prices firmed sharply in response to heavy short-term demand from major oil companies. Naphtha prices also rose, partly in sympathy with gas/oil and partly as a result of continuing high shipping freight rates—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	27.80-28.50	—
Arab Heavy	25.30-25.95	—
Dubai	27.20-27.35	—
Brent Blend	30.75-30.85	+0.15
W.T.I. (1pm est)	31.00-31.70	—
Forcados (Nigeria)	30.50-30.80	+0.20
Urals (cif NWE)	29.20-29.30	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	276-280	—
Gas Oil	303-306	+8
Heavy fuel oil	147-140	+0.5
Naphtha	257-260	+4.5

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Dec	283.25	+2.50	284.00-82.00
Jan	276.25	+0.50	279.00-75.50
Feb	271.00	+2.25	273.00-68.25
Mar	258.00	+0.25	259.50-57.50
Apr	247.75	+0.50	249.50-47.50
May	232.00	+1.25	238.75-33.75
June	232.25	+0.25	235.00-33.25
July	232.70	+0.75	235.00-33.50

Turnover: 2,770 (3,017) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel (Close, change, business done): Index 29.80, +0.84; Jan 30.10-30.15, +0.20, 30.15-30.00; Feb 29.15-29.30, +0.10, 29.20; Mar 28.10-28.80, +0.08, untraded; April 27.80-28.30, −0.05, untraded; May 27.00-28.10, −0.44, untraded. Turnover: 33 (2) lots of 1,000 barrels.

US MARKETS

PRECIOUS METALS firmed on short-covering and fresh buying linked to tension between Egypt and Libya and statements indicating South Africa would have difficulty rescheduling debt without substantive reforms, reports Heinold Commodities. Copper and aluminium traded lower reflecting the lack of cash demand. Sugar was featureless awaiting fresh cash inquiry. Cocoa traded mixed on reports of softer premiums for cash. Reports that the ICO is considering measures to avoid quota shortfalls kept coffee trading nervously. Consideration of a payment-in-kind programme to reduce 1986 acreage weakened cotton values. Heating oil gave up early gains achieved in anticipation of colder temperatures in the North Western US while crude oil remained strong on short-covering ahead of the midweek pipeline scheduling deadline. Grains lost ground with maize affected by the weekend harvest progress and country movement and wheat affected by profit-taking. Soyabeans attracted early selling on prospects for lower loan rates but the market uncovered support on tightness in nearby product supplies as crushing rates remained low.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Nov	44.35	—	—	44.60
Dec	44.45	45.00	44.60	44.95
Jan	44.85	—	—	45.35
March	45.60	46.15	45.60	46.15
May	46.40	46.60	46.30	46.90
July	47.20	47.65	47.60	47.65
Sept	47.95	—	—	48.40
Dec	49.05	—	—	49.05
Jan	49.40	—	—	49.85
March	50.15	—	—	50.60

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2134	2150	2131	2136
March	2221	2239	2210	2223
May	2275	2290	2272	2279
July	2305	2316	2297	2303
Sept	2328	2335	2323	2329
Dec	2336	2345	2335	2337
March	2348	—	—	2347

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	158.70	159.55	158.70	159.48
March	163.17	164.45	163.05	164.10
May	165.72	167.25	165.60	166.95
July	168.50	169.30	168.50	169.24
Sept	170.50	171.50	170.50	171.25
Dec	171.25	171.55	171.25	171.00
March	171.50	171.50	171.50	171.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Nov	61.05	—	—	61.10
Dec	61.15	61.60	61.00	61.20
Jan	61.45	—	—	61.50
March	62.05	62.60	61.90	62.10
May	62.40	62.85	62.30	62.35
July	62.65	63.00	62.60	62.60
Sept	62.95	63.30	63.30	62.90
Dec	63.45	63.85	63.40	63.35
Jan	63.55	—	—	63.58
March	63.95	64.30	64.30	63.85

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	61.15	61.90	61.15	61.88
March	61.59	62.32	61.59	62.36
May	62.12	62.80	62.10	62.65
July	60.21	61.00	60.21	61.12
Oct	54.10	54.50	54.40	54.45
Dec	51.65	52.20	51.65	52.00
March	52.55	52.55	52.55	52.52
May	53.05	—	—	52.80

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Jan	31.02	31.17	30.98	30.91
Feb	30.25	30.48	30.15	30.08
March	29.54	29.66	29.43	29.35
April	28.88	28.96	28.78	28.71
May	28.27	28.36	28.25	28.17
June	27.75	27.86	27.73	27.70
July	27.50	27.53	27.37	27.33
August	27.16	27.23	27.15	26.99
Sept	26.50	26.95	26.90	26.72
Oct	26.73	26.73	26.70	26.51

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	332.3	332.0	329.5	328.9
Dec	332.7	333.4	329.8	327.4
Jan	334.8	—	—	331.9
Feb	337.0	337.8	334.0	331.6
April	340.8	341.2	338.0	335.2
June	345.0	345.2	342.0	339.3
August	349.2	347.5	346.3	343.4
Dec	358.2	358.0	354.5	352.2
Feb	362.0	362.0	361.6	356.8
April	367.8	365.7	365.7	361.3
June	373.0	—	—	366.7
August	378.8	376.2	374.5	372.2

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	89.25	90.15	89.15	89.34
Jan	89.40	90.75	89.40	89.86
Feb	89.00	90.15	88.95	89.19
March	84.30	85.05	84.30	84.10
April	79.50	80.00	79.40	79.54
May	76.40	76.50	76.20	76.20
June	74.90	75.25	74.80	75.00
July	—	—	—	74.50
August	74.00	74.00	74.00	74.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	113.25	113.70	112.80	113.35
March	113.85	114.50	112.50	113.90
May	114.45	114.75	114.05	114.45
July	114.95	115.00	114.75	114.80
Sept	112.40	—	—	111.80
Jan	112.60	—	—	112.10
March	112.60	—	—	112.20
May	112.60	—	—	112.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	356.5	—	—	351.2
Jan	358.2	359.8	354.5	351.2
April	359.5	362.5	358.0	356.1
July	363.1	366.0	362.5	358.8
Oct	366.6	369.0	366.0	362.1
Jan	371.5	371.0	371.0	367.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	627.3	628.0	628.0	621.6
Dec	628.5	631.0	625.0	622.5
Jan	633.0	635.0	631.0	627.0
March	641.5	645.0	638.0	635.6
May	649.7	653.0	647.0	643.6
July	658.3	662.0	657.0	652.1
Sept	667.4	670.0	666.5	661.1
Dec	681.2	684.0	678.0	674.8
Jan	686.1	—	—	679.6
March	695.7	696.0	696.0	689.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	5.44	5.50	5.40	5.47
March	6.17	6.29	6.12	6.18
May	6.37	6.47	6.30	6.37
July	6.50	6.61	6.47	6.51
Sept	6.68	6.74	6.74	6.67
Oct	6.76	6.86	6.71	6.74
Jan	6.89	—	—	6.87
March	7.35	7.40	7.30	7.36

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	66.07	67.40	65.75	66.90
Feb	63.52	63.70	62.07	62.52
April	61.40	61.70	60.65	60.37
June	61.42	61.60	60.85	60.75
Aug	59.77	60.05	59.45	59.07
Oct	58.40	58.70	57.67	57.70
Dec	59.70	59.95	59.70	59.37

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	47.20	47.80	47.10	47.47
Feb	46.42	46.90	46.12	46.20
April	41.60	41.70	41.15	41.10
June	43.65	43.70	43.16	43.30
July	43.60	43.80	43.35	43.45
Aug	42.70	42.90	42.50	42.35
Oct	39.65	40.00	39.60	39.70
Dec	40.60	40.80	40.60	40.75
Feb	40.70	40.70	40.60	40.60

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
Dec	237.0	237.4	235.2	237.0
March	239.0	239.8	238.2	240.2
May	241.2	242.0	241.0	243.0
July	241.2	242.0	240.6	243.0
Sept	231.0	232.4	230.6	232.4
Dec	225.0	227.0	225.4	226.4
March	233.4	234.6	233.4	234.4

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	61.82	62.70	61.62	62.30
March	61.86	62.90	61.75	62.45
May	63.02	63.75	62.80	63.40
July	63.10	63.80	63.00	63.46
Aug	60.55	61.05	60.40	60.85

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Jan	484.6	486.0	478.6	488.6
March	492.2	496.0	487.0	497.4
May	500.6	503.0	495.2	506.2
July	506.0	509.6	501.4	512.6
Aug	508.4	508.0	503.0	512.0
Sept	502.4	504.4	501.4	507.0
Nov	505.4	507.4	503.6	509.2
Jan	516.2	517.4	515.0	520.4
March	527.4	528.4	525.0	531.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	139.2	139.3	137.4	139.5
Jan	139.3	139.5	137.3	139.9
March	139.2	139.5	137.3	140.1
May	139.9	140.0	138.1	141.1
July	140.3	141.5	139.0	141.5
Aug	140.0	140.0	139.0	141.0
Sept	139.5	141.0	139.0	141.0
Oct	139.5	140.0	139.0	140.0
Dec	142.0	143.0	141.5	143.0
Jan	141.5	142.0	141.0	142.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	18.17	18.30	18.00	18.32
Jan	18.17	18.27	18.01	18.31
March	18.29	18.45	18.10	18.48
May	18.52	18.60	18.25	18.70
July	18.83	18.90	18.48	18.80
Aug	18.87	18.90	18.48	18.95
Sept	18.80	18.90	18.60	18.98
Oct	18.93	18.95	18.70	18.98
Dec	20.02	20.05	19.80	20.00
Jan	18.90	18.90	18.80	20.00

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	329.2	334.4	326.2	334.6
March	327.8	331.4	324.4	331.6
May	308.2	311.0	305.2	311.4
July	282.8	285.0	279.8	284.2
Sept	282.8	286.0	280.4	284.2
Dec	294.0	295.6	293.4	296.2

SPOT PRICES—Chicago loose lard 19.00 (19.00) cents per pound. Handy and Harman silver bullion 608.0 (622.5) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sluggish growth hits dollar

The dollar weakened in nervous foreign exchange trading yesterday, and although there was no sign that the currency had stabilised, it appeared to have found a new trading range below DM 2.60. Sluggish performance by the US economy continued to weigh upon the dollar. Disappointing retail sales published recently for October, after a sharp fall in car sales, has increased speculation that Gross National Product growth in the present quarter will be low. Revised growth in GNP of 4.3 per cent for the third quarter is also widely regarded as an unreliable guide to current economic performance, probably distorted by Government orders, stockbuilding and a period of low cost incentives to sell cars. This has led to debate about whether the sluggish growth will outweight strong money supply growth, as far as the Federal Reserve is concerned, and allow an early cut in the US discount rate.

Further evidence about the economy will be looked for this week. Today's durable goods orders for October are expected to show a small decline, while tomorrow's US trade figures are forecast to be only slightly better than the record September deficit of $15.5bn.

£ IN NEW YORK

	Nov. 25	Prev. close
£ Spot	$1.4645-1.4655	$1.4610-1.4620
1 month	0.43-0.40pm	0.44-0.42 pm
3 months	1.24-1.20pm	1.24-1.21 pm
12 months	0.83-3.73pm	0.90-3.80 pm

Forward premiums and discounts apply to the U.S. dollar.

Although these figures may prove disappointing the general level of trade will probably be low, as dealers square positions ahead of Thursday's Thanksgiving Day holiday in the US, and the month end.

The dollar fell to its lowest against the D-mark since March 1984, at DM 2.5660, compared with DM 2.5760 on Friday, and to the lowest since January 1981 in terms of the yen, at Y200.70, against Y201.40, after touching Y199.80 in Tokyo. It also declined to FFr 7.8175 from FFr 7.8450; and SFr 2.1010 from SFr 2.1050. On Bank of England figures the dollar's index fell to 127.1 from 127.5.

STERLING — Trading range against the dollar in 1985 is 1.4635 to 1.0525. October average 1.4217. Exchange rate index rose 0.5 to 80.6. It also opened at 80.6, and touched a peak of 80.8 at 10 am, before falling to 80.5 at 3 pm.

Sterling benefited from the move out of the dollar, as speculative funds looked for a currency supported by high interest rates. Oil prices, underpinned by the cold weather in the northern hemispheres, also helped push the pound to its highest level against the dollar since March 1984. Sterling gained 95 points to $1.4630-1.4640, and also rose to DM 3.7550 from DM 3.7450; FFr 11.44 from FFr 11.4050; SFr 3.0750 from SFr 3.06; and Y293.75 from Y292.75.

POUND SPOT — FORWARD AGAINST POUND

Nov 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4585-1.4695	1.4630-1.4640	0.42-0.41c pm	3.40	1.24-1.19 pm	3.32
Canada	2.0065-2.0200	2.0123-2.0200	0.45-0.38c pm	2.47	1.30-1.15 pm	2.47
Nethlnd	4.21½-4.23½	4.22½-4.23½	2⅛-1⅞c pm	5.68	5⅞-5⅝ pm	5.44
Belgium	75.72-76.14	75.85-75.95	20-14c pm	2.69	59-50 pm	2.87
Denmark	13.52½-13.59¼	13.56½-13.57½	3-2ore pm	2.21	7⅞-7⅛ pm	2.14
Ireland	1.2114-1.2169	1.2125-1.2135	0.24-0.12p pm	1.78	0.58-0.22 pm	1.34
W. Ger	3.74½-3.76½	3.75-3.76	2¼-2pf pm	6.79	6⅞-6½ pm	6.66
Portugal	223.12-240.02	233.84-238.39	140-435c dis	-14.61	585-1380dis	-16.73
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Nov 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EXCHANGE CROSS RATES

Nov. 25	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.464	3.760	293.8	11.44	3.075	4.228	2530.	2.016	75.90
$	0.683	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Nov. 25	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	7⅝-7⅞	8⅛-8⅜	8⅛-8⅜	7⅞-7⅞	7½-7⅝	7¼-7⅜
D. Krone	8¼-8¾	8¾-9¼	8¾-9⅛	9-9⅛	9-9⅛	9¼-9¾
Asian $ (Sng)	8-8⅛	8-8⅛	8-8⅛	8-8⅛	8-8⅛	8⅞-8⅞

Long-term Eurodollars: two years 8¾-9 per cent; three years 8⅞-9⅛ per cent; four years 9⅛-9¼ per cent; five years 9¹¹⁄₁₆-9¹³⁄₁₆ per cent nominal. Short-term rates are call for US dollars and Japanese yen: others two days' notice.

CURRENCY MOVEMENTS

Nov. 25	Bank of England Index	Morgan Guaranty Change %
Sterling	80.6	−9.7
U.S. dollar	127.1	+15.8
Canadian dollar	82.4	−10.0
Austrian schilling	119.2	+5.1
Belgian franc	98.4	−9.6
Danish Kroner	82.1	−3.4
Deutsche mark	128.3	+0.9
Swiss franc	[illegible]	+13.7
Guilder	[illegible]	+4.7
French franc	[illegible]	−12.4
Lira	[illegible]	−10.7
Yen	179.5	+30.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Nov. 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
U.S. $	7½	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr.	[illegible]	[illegible]	[illegible]
Spain Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*CS/SDR rate for November 22: 1.49021.

OTHER CURRENCIES

Nov. 25	£	$
Arg'tina	[illegible]	[illegible]
Aust'alia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
H'Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxemb'g	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sing'pore	[illegible]	[illegible]
S.Af (Cm)	[illegible]	[illegible]
S.Af (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

STERLING INDEX

	Nov. 25	Previous
8.30 am	80.5	80.0
9.00 am	80.6	80.0
10.00 am	80.8	80.1
11.00 am	80.7	80.1
Noon	80.7	80.1
1.00 pm	80.6	80.0
2.00 pm	80.5	80.0
3.00 pm	80.5	80.0
4.00 pm	80.6	79.9

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7265	−0.24	+0.58	±1.5425
Danish Krone	8.12857	[illegible]	[illegible]	[illegible]	±1.6421
German D-Mark	2.23840	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.86402	6.73633	−1.86	−1.04	±1.3654
Dutch Guilder	2.52208	2.48910	−1.30	−0.48	±1.5182
Irish Punt	0.724578	0.715125	−1.30	−0.48	±1.6673
Italian Lira	1520.60	1492.54	−1.85	−1.72	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Sterling contracts firm

Sterling based contracts were firmer in the London International Financial Futures Exchange yesterday, reflecting a sharp rise in the value of the pound. Sterling's strength prompted a small decline in some cash rates and while the prospect of an early cut in clearing bank base rates seemed remote, sentiment was improved on previous comments by Mr Nigel Lawson, Chancellor of the Exchequer, that interest rates would be used to control sterling.

Gilt stocks shrugged off a weaker trend in US bond futures and rose in line with cash instruments. The December contract opened at 112-23 up from 112-12 and touched a high of 113-01 before closing at 112-25.

US Treasury bonds were weaker after the highs touched recently, reflecting an end to the string of US Treasury auctions. The market appeared to be pausing for breath as new stock was digested. There was some support as prices touched chart levels at the lower end of the day's range but trading remained quiet.

Euro-dollars acted in much the same way with trading confined to a narrow range. Prices attracted little support after Friday's lower level and after opening at 91.98, the March contract dipped to 91.95 before finishing at 91.98 down from 92.00 on Friday.

FT-SE futures continued to improve, reflecting further demand for equities with the December contract rising to 145.25 from 144.40.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4635	1.4594	1.4510	1.4415	1.4255

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4610	1.4625	1.4540	1.4446
March	1.4500	1.4510	1.4435	1.4336
June	1.4390	1.4390	1.4340	1.4240

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 1,227 (94). Previous day's open int 3,770 (3,778)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 8 (13). Previous day's open int 240 (243)

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	112-25	113-01	112-20	112-12
March	112-30	113-04	112-27	112-15
June	111-30	—	—	111-15

Estimated volume 5,222 (5,381). Previous day's open int 7,860 (7,771)

Basis quote (clean cash price of 13¼% Treasury 2000-03 less equivalent price of near futures contract) −4 to +0 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100% — Estimated volume 499 (618). Previous day's open int 1,669 (1,646)

THREE-MONTH STERLING £500,000 points of 100% — Estimated volume 1,862 (983). Previous day's open int 6,594 (6,863)

FT-SE 100 INDEX £25 per full index point — Estimated volume 409 (502). Previous day's open int 2,074 (2,066)

THREE-MONTH EURODOLLAR $1m points of 100% — Estimated volume 2,798 (4,054). Previous day's open int 10,988 (20,686)

LIFFE—EURODOLLAR OPTIONS $1m points of 100% — Previous day's open int. Calls 3,145, Puts 3,333

LIFFE £/$ OPTIONS £25,000 (cents per £1) — Previous day's open int. Calls 10,857, Puts 17,474

LONDON SE £/$ OPTIONS £12,500 (cents per £1) — Previous day's open int. Calls 8,394, Puts 10,009

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1) — Previous day's open int. Calls 67,355, Puts 49,498

US TREASURY BONDS 8% $100,000 32nds of 100%

Estimated volume 2,586 (4,524). Previous day's open int 4,067 (4,016)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; CERT. DEPOSIT (IMM) $1m points of 100%; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

MONEY MARKETS

UK rates steady on firm pound

Interest rates showed little overall change in London yesterday despite sterling's firmer trend. There was little incentive to push rates lower since the prospect of lower base rates was still considered some way off. Much depends on the timing of any reduction in US interest rates. Three-month interbank money was quoted at 11¼-11⅛ per cent, unchanged from Friday while three-month eligible bank bills were bid at 11¼ per cent compared with 11³⁄₁₆ per cent.

> UK clearing banks' base lending rate 11½ per cent since July 30

Overnight interbank money opened at 11½-12 per cent and touched a high of 13 per cent before slipping away to touch a low of 10½ per cent.

The Bank of England forecast a shortage of around £1,250m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £950m and Exchequer transactions a further £530m. In addition banks brought forward balances £70m below target. These were partly offset by a fall in the note circulation of £304m.

The Bank gave assistance in the morning of £75m, comprising purchases of £1m of Treasury bills in band 1 at 11⅜ per cent and £21m of eligible bank bills in band 2 at 11⁵⁄₁₆ per cent. In band 3 it bought £50m of eligible bank bills at 11¼ per cent and £3m in band 4 at 11³⁄₁₆ per cent. The forecast was later revised to a shortage of around £1,200m before taking into account the earlier help.

Further help came to £951m and comprised purchases of £19m of eligible bank bills in band 1 at 11⅜ per cent, £425m in band 2 at 11⁵⁄₁₆ per cent, £48m in band 3 at 11¼ per cent and £56m in band 4 at 11³⁄₁₆ per cent. It also arranged sale and repurchase agreements on £403m of bills at 11⅜-11⅜ per cent, unwinding on November 27. Late help was provided of £50m, making a total of £1,076m.

News of a current account surplus in October of £400m over a £170m surplus in September appeared to have little effect on trading.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7¹⁵⁄₁₆
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.92
Two month	7.24
Three month	7.42
Six month	7.66
One year	7.82
Two year	8.53
Three year	8.78
Four year	9.04
Five year	9.23
Seven year	9.54
10 year	9.66
30 year	9.97

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 25) Three months U.S. dollars		Six months U.S. dollars	
bid 8	offer 8 1/8	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 25	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-10	11¾-10	11⁹⁄₁₆-11¹¹⁄₁₆	11½-11⅝	11⁷⁄₁₆-11⁹⁄₁₆	11⁵⁄₁₆-11⁷⁄₁₆
Sterling CDs	—	—	11⁹⁄₁₆-11¹¹⁄₁₆	11⁷⁄₁₆-11⁹⁄₁₆	11⅛-11¼	10⅞-11¹⁄₁₆
Local Authority Depos	11¾	11½	11½	11⅜	11⅛-11¼	11½
Local Authority Bonds	—	—	12	11⅞	11¾	11¼
Discount Mkt. Depos.	11½-12	11½-11¾	11⅝	11¼	—	—
Company Depos	12	12	11⅞	11¾	—	—
Finance Hse Depos	—	—	11⅝	11⅜	11½	11⅛
Treasury Bills (Buy)	—	—	11⁵⁄₁₆	11⅛	—	—
Bank Bills (Buy)	—	—	11⁵⁄₁₆	11⅛	10⅞	—
Fine Trade Bills (Buy)	—	—	11⅝	11¼	11⅛	—
Dollar CDs	—	—	7.85-7.95	7.85-7.95	7.85-7.95	8.05-8.10
SDR Linked Depos	—	—	7¾-8	7⅞-8¹⁄₁₆	7⅞-8¹⁄₁₆	7⅞-8⅛
ECU Depos	—	—	8¼-8⅜	8⅜-8½	8⅜-8½	8⅞-8⅞

Treasury Bills (sell): one-month 11⁵⁄₃₂ per cent; three-months 11³⁄₃₂ per cent; Bank Bills (sell): one-month 11⁵⁄₃₂ per cent; three-months 11³⁄₃₂ per cent. Treasury Bills: Average tender rate of discount 11.1177 per cent. ECGD Fixed Finance Scheme IV reference rate October 9 to November 5 (inclusive): 11.608 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 0.25-6.625 per cent (net). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from November 19. Deposits held under Series 3 11½ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Nov. 25	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45-4.55	4.55-4.65	4.75-4.85	4.75-4.85	4.75-4.90	5.0
Paris	8⅞	8¾-8⅞	8¾-8⅞	8¾-8⅞	8¹³⁄₁₆-8¹⁵⁄₁₆	8¾
Zurich	⅞-1⅛	2⅞-3	—	3⅞-4	—	—
Amsterdam	5⁹⁄₁₆-5¾	5¾-6⅛	—	5¹³⁄₁₆-5¹⁵⁄₁₆	5¹³⁄₁₆-6¹⁄₁₆	—
Tokyo	7.59375	8.09370	—	7.96875	—	—
Milan	14⅛-14¾	14½-14⅞	—	14¼-14¾	—	—
Brussels	8.00	8½-8⅝	—	8½-8¾	8⅝-8⅞	—
Dublin	—	9¼-9¾	9¾-10	9⅞-10⅛	10¼-10⅜	—

ICC Oil accounts are qualified

The 1984-85 accounts of ICC Oil Services, the USM industrial, building and engineering group, have been qualified by auditors Dearden Farrow.

In the group's annual report the auditors say they were unable to satisfy themselves as to the recoverability of £1.25m included in work-in-progress and £905,000 in debtors.

Both sums, totalling £2.16m, relate to a refinery project in Ajman in the UAE which began in October 1984 and was suspended a month later. The plan was to pull down the Milford Haven refinery, refurbish it and reassemble it in the United Emirates.

Pritchard Services, which owns 45.7 per cent of ICC, has pumped £1.85m into the company.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 25, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	[illegible]
Albania	Lek	[illegible]
Algeria	Dinar	[illegible]
Andorra	French Franc / Spanish Peseta	[illegible]
Angola	Kwanza	[illegible]
Antigua	E. Caribbean $	[illegible]
Argentina	Austral	[illegible]
[illegible]	[illegible]	[illegible]

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	99	Exch. 11¼pc '86	100	+	11.75	11.22
99	10	Treas 10pcCnv 1986	99	+	10.05	11.21
96	92¼	Treas 3pc 1986	96	+	3.13	10.60
100	97½	Exch 10½pc 1986	99	+	10.53	11.19
101⅞	99¼	Treas 12pc 1986	100 xd	+	11.93	10.99
98½	94¾	Treas 8½pc 1984-86‡‡	90		8.64	11.09
105	102¾	Exch 14pc 1986	102½	+	13.66	11.03
94	87¼	Exch 2½pc 1986	94	+	2.64	8.21
104	101¼	Exch 13¼pc 1987	102¼	+	13.96	11.01
99	96⅝	Treas 10¼pcCv '87	99		10.33	10.89
93¼	85½	Exch 2½pc 1987	92	+	2.69	8.56
100	96¼	Exch 10½pc 1987	99⅞	+	10.54	10.77
95	89	Funding 6½pc '85-87‡‡	95		6.84	10.36
99	95½	Treas. 10pc 1987	98 xd	+	10.11	10.79
91¼	84¼	Treas 3pc 1987	91	+	3.28	8.65
102	99¼	Treas. 12pc 1987	102	+	11.76	10.81
95	90¼	Treas 7¾pc 1985-88‡‡	94½	+	8.20	10.61
100	95⅛	Exch 10½pc '88	99	+	10.55	10.72
98¼	93¼	Treas 9¾pc Cv '88	97 xd		9.98	10.83
87	00	Transport 3pc '78-88	87 xd	+	3.42	8.39
97¼	91½	Treas. 9½pc '88	96	+	9.81	10.79
102¼	97½	Treas 11½pc 1989	102	+	11.27	10.71
97	90¼	Treas 9½pc Cnv '89	96½		9.84	10.75
84	79	Treas 3pc 1989	84⅛	+	3.57	8.37
99⅞	94	Treas 10½pc 1989	99 xd	+	10.56	10.71
98¼	92	Exch 10pc 1989	97		10.24	10.76
101	95	Exch 11pc 1989	100¼	+	10.92	10.74
		Exch 10¼pc '89 (£40pd)	£98½		10.41	10.73
86¼	79	Treas 5pc 1986-89	86		5.81	9.35

Five to Fifteen Years

Over Fifteen Years

Undated

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Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ● Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- 1 Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	190	......	Fin. 13% 97/02	£104¼	+½
Craig & Rose £1	800xd	+8	Arnotts	225xd	+4½
Finlay Pkg. 5p	51	......	CPI Hldgs.	67	......
Holt (Jos) 25p	710	......	Carroll Inds.	140	......
IoM Stm. £1	77	......	Dublin Gas	77	......
			Hall (R. & H.)	56	......
IRISH			Helton Hldgs.	24	+1
Fund 11¼% 1988	£100⅞	......	Irish Ropes	45	......
Nat. 9¾% 84/89	£95¼	......	Unidare	132	......

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LONDON STOCK EXCHANGE

MARKET REPORT

Major merger moves trigger further equities advance

FT index up 11.5 at record 1146.9

ACCOUNT DEALING DATES

Option			
*First Dealings	Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Further records were broken on London equity markets yesterday as the new Account got underway. The announcement soon after the opening of dealings of an agreed merger between two leading high street retailers, British Home Stores and Habitat Mothercare, ensured a continuation of the recent upsurge in the equity sectors. This was followed in the afternoon by news of merger discussions between Imperial Group and long-time bid favourite United Biscuits which also gave a fresh boost to sentiment that had showed signs of flagging around midday.

Leading industrials responded quickly to early selective demand following bullish comment in the weekend Press on the immediate outlook for equities. Initial buying centred on Beecham, Courtaulds and Imperial Group. However, the emphasis soon switched to the Store sector following news of the BHS/HM merger with the former advancing strongly to close 36 higher at 409p; Habitat also moved ahead smartly and finished 17 up at 565p. Other Stores were quick to follow, not least Boots, which attracted strong support, partly on takeover hopes.

Many small investors took profits after the initial advance and early gains were sometimes trimmed. Nevertheless, the day's second major merger proposal enlivened interest again, particularly in the Food sector. United Biscuits closed 25 higher at 365p, while Imperial Group ended 11 up at 229p, after touching 234p. Apart from the two possible merger candidates, Rowntree Mackintosh featured strongly, while Cadbury Schweppes and Tate and Lyle were also noteworthy.

Reflecting the trend, the Financial Times Ordinary share index, which posted a gain of 12.1 at the 10.00 am calculation, eased back to show a rise of only 5.9 two hours later before reviving to close 11.5 higher on balance at 1,146.9 making a rise of 63.7 over the last five trading sessions.

Government securities traded relatively quietly by comparison, but were not completely left out of the picture. Short-dated issues remained restrained by last Friday's announcement of a new tap stock, but the absence of funding at the longer end of the market coupled with renewed firmness in sterling against the US dollar prompted occasional support for medium and long-dated stocks. Buying was relatively modest, but quotations were quick to respond and gains stretched to ½ in this area.

Wagon Finance, a rising market of late on takeover speculation, advanced 7 afresh to a 1985 peak of 124p following the announcement that MAI and Hambros both hold near-14 per cent stakes in the hire purchase concern. First National Finance Corporation, meanwhile, hardened a couple of pence to 164p; Provident Mutual holds a 7.2 per cent stake in the group.

The three newcomers to the Unlisted Securities Market all achieved first-day premiums. Market research agency Millward Brown settled at 168p compared with the placing price of 160p, while food suppliers Snowdon and Bridge closed at 105p against a placing price of 97p. West Yorkshire Hospital opened at 103p, but drifted back on lack of support to close at 93p; the placing price was 90p.

The undertone in the Building sector was firm, but gains were generally modest. Publicity given to a broker's circular helped Barratt Developments rise 4 to 122p. Elsewhere, Marshalls (Halifax) touched 170p prior to closing 4 dearer at 166p following the good interim figures and confident statement. Buyers came in for McCarthy and Stone, 20 higher at 315p, and Aberdeen Construction, 8 to the good at 226p.

ICI were marked up to 739p initially, but drifted back in the absence of follow-through support to close a shade easier at 730p. Elsewhere in the Chemical sector, Yorkshire put on 5 to 72p on revived bid hopes.

Stores active

Stores, buoyant throughout last week as the Christmas shopping season got fully under way, made further impressive progress in often hectic trading as investors directed fresh money to the sector in the wake of the BHS/Habitat Mothercare developments. Prices finished below the best in places, but gains still extended into double-figures. Woolworth touched 606p before settling 10 up on balance at 595p, while Harris Queensway, up to 288p earlier, closed a net 10 dearer at 282p. Gossles "A" improved 20 to 903p and W. H. Smith "A" rose 12 to 298p. An isolated dull spot was provided by Burton which dipped 13 to 590p reflecting thoughts that Habitat chairman Sir Terence Conran may not exercise his option to acquire a 20 per cent holding in Debenhams, acquired earlier this year by Burton.

Mail-orders again went better with Freemans 7 higher at 380p. Empire hardened 4 more to 166p, after 170p, on further consideration of the increased stakes taken by Gecbs and Vendex International. Business elsewhere in secondary Stores was enlivened by a steady stream of company trading statements, most of which proved encouraging. Stirling advanced 12 to 100p and Dunhill spurted 18 to 393p following interim statements, while excellent full-year figures lifted Share Drug 10 to 283p. In contrast, Peters Stores dipped to 66p before rallying slightly to 70p—a net loss of 6 in reaction to the increased annual deficit and omitted final dividend. Revived speculative demand prompted noteworthy gains for Gahlcci, 15 higher at 123p. Martin Ford, 3 up at 68p, and Goodman Bros, 3½ dearer at 34p. USM-quoted Gee/Rosen advanced to 50p before settling a couple of pence up at 45p; the interim results are scheduled for December 4.

BICC took a turn for the better in Electricals, rising 13 to 253p following news of the sale of its US-based switching power supply subsidiary Boschert. Other Electricals leaders made early progress, but failed to hold their best levels. Plessey added 4 at 146p, after 148p, while Racal hardened a couple of pence to 144p, after 146p. Thorn EMI touched 425p in initial response to Press comment before retreating to finish a net 2 easier on balance at 417p. Elsewhere, Apricot Computer, on the other hand, lost 4 to 60p following nervous offerings in front of today's interim results.

Westland fared well among firm secondary Engineerings, rising 5 to 70p on European rescue hopes. Perennial takeover favourite Birmid Qualcast touched 90p before closing a couple of pence dearer at 89p, while Greenbank, at 39p, and Meggitt, at 107p, firmed 2 apiece in reply to Press comment. William Cook (Sheffield) put on 6 at 71p, while improvements of between 7 and 9 were seen in Pegler Hattersley, 325p, Stothert and Pitt, 156p, and ML Holdings, 337p.

News of the United Biscuits/Imperial Group merger talks excited other prospective bid candidates in the Food sector. Cadbury Schweppes raced ahead and touched 160p prior to closing a net 12 up at 159p, while Rowntree Mackintosh jumped 25 to 413p. Tate and Lyle finished 15 higher at 555p and Unigate put on 6 to 230p. Northern Foods firmed 6 to 304p and Ranks Hovis McDougall gained 7 to 182p. Elsewhere, Bassett put on 5 to 162p awaiting today's half-timer, while Hazlewoods rose 15 to 818p. Dealings in confectionery concern Needlers resumed at 165p with a close of 160p compared with the suspension price of 150p following the agreed bid of 166p per share cash from Hillsdown Holdings.

Boots, reflecting further comment in the wake of the impressive first-half results and stimulated afresh by the BHS/Habitat Mothercare development, jumped 19½ more to 272p xd, after 276p. A broker's recommendation and US expansion hopes helped Beecham put on 15 to 313p xd, while BOC added 4 at 325p; the latter's annual results are scheduled for December 4. Elsewhere in miscellaneous industrials, British Aerospace jumped 21 to a 1985 peak of 483p on news of a £160m Indian jet order, while Wolseley Hughes soared 37 to 580p following comment on its recent US acquisitions. Platon firmed 12 to 162p in response to Press comment and speculative buying lifted Sutcliffe Speakman 8 to 43p. Revived takeover speculation left English China Clays 12 to the good at 270p and Marley moved up 4 to 112p following an investment recommendation.

Among Leisure issues, Radio City (Sound of Merseyside) touched 40p before reacting on the poor annual results and dividend omission to close 3 cheaper on balance at 30p. Barr and Wallace Arnold Trust A gained 5 to 130p as bid hopes revived. Sangers Photographic, a strong market last week on asset injection hopes, touched 108p before closing unchanged at 103p. Photax, which holds a stake in Sangers, gained 6 more to 54p.

Publishers were relatively subdued, although William Collins attracted fresh speculative support and improved 10 to 470p with the more-widely traded A shares 12 higher at 225p. Among Paper/Printings, Norton Opax advanced 10 to 138p and James Cropper put on 6 to 200p in reply to their respective first-half figures. Richard Clay improved 7 to 216p to match the agreed share-exchange bid terms from market newcomer St Ives, 15 to the good at 493p; the latter's preliminary results are due today.

Business in the Property leaders remained in relatively low key, but quotations finished a shade firmer for choice. Secondary issues displayed several bright spots with Regalian outstanding at 405p xd, up 31, in the wake of the recent excellent results. Renewed buying interest in a limited market lifted Ewart New Northern 25 to 505p, while news of increased half-year profits helped Property Partnerships rise 5 to 310p. Southend Stadium attracted speculative buying and added 3 to 37p, while Five Oaks gained the same amount to 46p following Press comment. Estate agents Bairstow Eves, up 28 on Friday following news of a bid approach, slipped 2 to 153p at which level dealings were suspended at the company's request; Hambros were sited as the most likely bidder.

The Textile sector presented a firm appearance. Courtaulds rose 6½ to 188p following Press comment, while Sekers gained 7 to 80p in reply to near-doubled interim profits.

Asset Special Situation Trust, finally 9½ higher at 80p xd, remained prominent reflecting the proposed acquisition of fund managers Guildhall.

Leading Oils opened on a firm note but subsequently turned easier on profit-taking. This was particularly the case in recently buoyant BP which gradually ran back to end the day a net 9 easier at 596p. Shell settled 3 off at 682p. Britoil, however, were a firm market and touched a record 243p, helped by favourable comment in the weekend Press, prior to closing a net 5 better at 240p. Bid speculation boosted Burmah Oil 6 to 306p. News that the merger talks between Petranol and Berkeley Exploration had broken down saw the latter edge up to 93p before closing 3 firmer at 90p. Petranol gave up 5 to 125p.

Paterson Zochonis advanced 11 to 238p, after 240p, following favourable Press comment. Other Overseas Traders, however, tended to buck the general trend. Lonrho, the subject of "take-profits" advice, gave up a few pence to 189p.

Another firm showing by the bullion price, which moved through the $330 level for the first time since the beginning of September to close a net $2.5 higher at $331 an ounce, encouraged renewed demand for South African gold and related issues. The Gold Mines index advanced 14.9 to 309.4 — its best level since September 24 — helped by the resumption of dealings in the Anglo American Corporation's five Orange Free State mines. The announcement on Friday of details of the proposed merger of the five companies and the rise in bullion resulted in sharply higher levels for the companies involved. Free State Geduld, suspended at £15, closed yesterday at £18⅜.

The steep rises in the merging companies were responsible for more than 9 points of the rise in the Gold Mines index.

Demand for Traded Options declined from the extremely active levels experienced throughout last week. Total contracts struck amounted to 15,322—11,031 calls and 4,291 puts.

FINANCIAL TIMES STOCK INDICES

	Nov. 25	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 18	Year ago
Government Secs	83.98	83.85	83.60	83.37	83.41	83.10	83.06
Fixed Interest	89.37	88.90	88.96	88.78	88.79	88.58	86.08
Ordinary ♥	1146.9	1135.4	1121.6	1106.0	1095.5	1083.2	892.1
Gold Mines	309.4	294.5	293.6	285.2	277.9	280.4	579.8
Ord. Div. Yield	4.28	4.28	4.31	4.36	4.40	4.43	4.63
Earnings, Yld. % (full)	10.83	10.09	10.09	10.82	10.90	10.98	11.28
P/E Ratio (net) (*)	11.60	11.53	11.53	11.39	11.31	11.23	10.80
Total bargains (Est.)	36,000	32,860	28,754	28,436	23,189	23,188	19,919
Equity turnover £m.	—	634.29	645.03	729.16	598.23	827.29	271.94
Equity bargains	—	36,689	31,018	28,567	24,147	26,674	1468.3
Shares traded (ml)	—	329.1	313.4	349.8	279.3	210.0	153.9

♥ 10 am 1147.5. 11 am 1144.9. Noon 1141.3. 1 pm 1142.2. 2 pm 1142.3. 3 pm 1141.4. 4 pm 1146.3.

Day's High 1148.9. Day's Low 1141.2.

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 11.19

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	79.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int	90.38 (25/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1160.9 (26/11)	911.0 (25/7)	1140.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	530.8 (15/4)	217.0 (5/11)	734.7 (15/2/83)	43.5 (28/10/71)

S.E. ACTIVITY INDICES

	Nov. 22	Nov. 21
Daily		
Gilt Edged Bargains	146.3	137.0
Equities Bargains	237.7	204.9
Value	1282.1	1303.8
5 day Average		
Gilt Edged Bargains	135.5	132.1
Equities Bargains	191.4	178.2
Value	1226.5	1251.3

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (183)

BRITISH FUNDS (11)
INT BANK O'SEAS GOVT STLG ISSUE (2)
CORPORATION LOANS (1)
AMERICANS (3)
CANADIANS (1)
BANKS (5)
BREWERS (4)
BUILDINGS (6)
CHEMICALS (6)
STORES (23)
ELECTRICALS (7)
ENGINEERING (12)
FOODS (12)
HOTELS (1)
INDUSTRIALS (26)
INSURANCE (5)
LEISURE (4)
MOTORS (1)
NEWSPAPERS (1)
PAPER (5)
PROPERTY (12)
SHOES (1)
TEXTILES (5)
TOBACCOS (3)
TRUSTS (28)
OILS (2)
OVERSEAS TRADERS (2)
MINES (9)

NEW LOWS (29)

AMERICANS (2)
TRW Inc [illegible]
ELECTRICALS (4)
Cranbrook Elec, Sound Diffusion, Record Systems, TDS Circuits, Prestwick, Telemetrix, Radius, Wace Korr
HOTELS (1)
[illegible]
INDUSTRIALS (4)
Biddle
PROPERTY (1)
London Prov Shop
TRUSTS (2)
Second Market Inv, Kakuzi
OILS (2)
Charterhouse Pet, Sceptre Res
OVERSEAS TRADERS (1)
Polly Peck Intl
PLANTATIONS (6)
Anglo-Indonesian, Kuala Kepong, Harrisons Malay, Plantation Gen. Invs, Highlands Lowlands, Williamson Tea
MINES (8)
Aust Hydrocarbons, Geevor Tin, Otter Expln, Petaling Tin

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 25 1985 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Fri Nov 22 Index No.	Thurs Nov 21 Index No.	Wed Nov 20 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (207)	587.25	+0.4	9.81	3.89	12.79	14.74	585.84	579.59	578.03	547.13
2 Building Materials (22)	648.97	+0.5	10.15	4.14	12.29	15.38	646.03	645.74	640.51	517.56
3 Contracting, Construction (28)	960.34	+0.7	10.19	4.42	12.65	28.48	953.68	951.72	950.05	722.86
4 Electricals (13)	1818.41	+1.8	9.28	4.76	13.78	31.46	1785.27	1757.18	1758.43	1365.37
5 Electronics (39)	1425.81	+0.6	10.64	3.18	12.42	31.57	1416.31	1377.86	1320.68	1167.29
6 Mechanical Engineering (61)	336.97	+0.7	10.98	4.51	11.94	9.34	334.65	333.58	332.42	263.20
8 Metals and Metal Forming (7)	265.94	+0.7	8.96	4.52	13.27	7.73	263.73	263.66	262.38	208.46
9 Motors (17)	204.34	-0.8	12.05	4.26	10.01	5.75	208.01	207.64	207.88	138.33
10 Other Industrial Materials (20)	1055.98	-0.4	7.18	3.42	16.93	24.10	1059.82	1055.73	1038.24	770.87
21 CONSUMER GROUP (177)	787.69	+1.1	8.28	3.61	15.11	17.27	779.33	762.97	759.99	580.73
22 Brewers and Distillers (23)	816.65	+2.6	8.79	3.42	14.46	16.75	795.82	785.74	781.75	614.34
25 Food Manufacturing (22)	579.25	+2.6	10.26	4.24	12.29	11.47	564.84	554.54	546.83	452.36
26 Food Retailing (14)	1803.26	+0.9	5.82	2.50	22.36	25.48	1786.37	1752.03	1744.02	1365.37
27 Health and Household Products (9)	1222.65	+0.8	6.32	2.70	18.59	23.08	1213.58	1189.55	1171.79	975.10
29 Leisure (24)	778.92	+0.2	7.25	4.26	17.64	23.69	777.61	776.22	772.89	653.52
31 Newspapers, Publishing (11)	1882.38	+0.8	5.82	3.28	23.15	33.07	1867.27	1850.83	1850.81	1579.21
32 Packaging and Paper (13)	374.45	+0.4	9.46	4.16	12.98	10.82	372.81	373.27	375.87	289.68
34 Stores (42)	834.96	+1.5	6.34	2.61	21.50	14.92	822.57	818.61	808.56	527.58
35 Textiles (16)	382.51	+1.4	11.58	4.47	9.89	10.96	378.67	375.79	372.36	286.02
36 Tobaccos (3)	815.77	+1.3	14.52	5.51	6.89	30.77	804.93	801.28	814.13	795.72
41 OTHER GROUPS (98)	742.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (63)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	731.27	+0.6	8.75	3.67	14.43	16.46	726.70	721.65	714.61	564.77
51 Oils (18)	1201.03	-0.8	15.66	7.23	7.85	60.66	1210.14	1209.46	1194.80	1092.79
59 500 SHARE INDEX (500)	771.36	+0.5	9.59	4.13	13.08	20.94	767.29	763.23	755.90	629.47
61 FINANCIAL GROUP (116)	536.28	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (106)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	595.73	+0.2	13.07	6.71	9.10	29.15	594.81	587.27	580.56	556.65
99 ALL-SHARE INDEX (739)	702.06	+0.3	—	4.18	—	18.96	699.64	696.04	689.71	554.97

	Index No.	Day's Change	Day's High	Day's Low	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Year ago
FT-SE 100 SHARE INDEX	1455.5	+4.5	1460.7	1452.3	1451.0	1443.1	1424.3	1412.1	1405.1	1172.3

FIXED INTEREST

PRICE INDICES	Mon Nov 25	Day's change %	Fri Nov 22	xd adj. today	xd adj. 1985 to date
British Government					
1 5 years	119.19	+0.04	119.15	0.06	10.60
2 5-15 years	133.88	+0.26	133.53	—	11.87
3 Over 15 years	139.20	+0.35	138.72	—	11.77
4 Irredeemables	151.18	+0.12	151.00	—	13.34
5 All stocks	131.29	+0.21	131.04	0.02	11.54
6 Debentures & Loans	112.09	+0.81	111.66	0.48	11.59
7 Preference	82.35	+0.51	82.07	0.14	6.41
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	109.60	+0.06	109.53	—	2.69

AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 25	Fri Nov 22	Year ago (approx.)
British Government				
1 Low	5 years	9.89	9.93	9.98
2 Coupons	15 years	10.13	10.17	10.23
3	25 years	10.15	10.18	10.25
4 Medium	5 years	10.78	10.80	10.84
5 Coupons	15 years	10.47	10.51	10.59
6	25 years	10.11	10.16	10.25
7 High	5 years	10.85	10.89	10.95
8 Coupons	15 years	10.62	10.66	10.75
9	25 years	10.30	10.35	10.44
10 Irredeemables †		9.69	9.70	9.80
11 Debs &	5 years	11.22	11.39	11.44
12 Loans	15 years	11.20	11.30	11.35
13	25 years	11.20	11.21	11.25
14 Preference †		11.80	11.82	11.82
15 Inflation rate	5%	3.71	3.71	3.70
16	10%	3.51	3.52	3.50

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NAME CHANGE CORRECTION: Carpets International has changed its name to Debron Investments (35)

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Asset Special Situs.	80xd	+9½
Boots	272xd	+19½
British Aerospace	483	+21
British Home Stores	409	+36
Burton	590	-13
Coloroll	165xd	+0
Commercial Union	237	-1
Habitat Mothercare	565	+17
Imperial Group	229	+11
Jaguar	331	-6
United Biscuits	365	+25
Wolseley-Hughes	580	+37

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Boots	42	255	+19
Bairstow Eves	36	155	+28
Beecham	31	313	+10
Sangers Photo	30	103	+25
Ltd Biscuits	28	240	+8
Exco Intln	26	214	-9
Brit. Arrow	25	148	+6
Assnt Special	24	71	+19
Burton	24	603	-20
Lonrho	22	192	+9
Brit Aerospace	21	462	+7
ICI	21	734	+14

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Feb.		May		Aug.		
GOLD C	$320	—	—	10	25	—	—	$331
GOLD C	$340	296	9.20	11	12.50	—	—	"
GOLD C	$360	80	3	—	—	33	10.30	"
GOLD P	$300	—	—	—	—	23	2.30	"
GOLD P	$320	25	3.60	73	4.50	30	7	"
GOLD P	$340	1	10.10	30	12	—	—	"
		Dec.		March		June		
SILVER C	$600	4	35	—	—	—	—	$628
SILVER C	$650	77	6	—	—	—	—	"
SILVER P	$700	—	—	3	75	—	—	
£/FR C	FR410	—	—	4	13	—	—	Fr422.58
£/FR C	FR430	—	—	10	3	—	—	
$/FL C	Fl.285	163	5	6	9	20	11	Fl.299.05
$/FL C	Fl.290	62	2.40	135	7	—	—	"
$/FL C	Fl.295	122	1.10	25	4.70	60	6.80	"
$/FL C	Fl.300	73	0.40	25	3.20	120	5.10	"
$/FL C	Fl.305	60	0.30	25	2.00B	—	—	"
$/FL C	Fl.310	3	0.30	36	1.70	0	3	"
$/FL C	Fl.315	5	0.20	—	—	10	2.50	"
$/FL C	Fl.325	10	0.10	—	—	—	—	"
$/FL P	Fl.285	282	2B	35	7.20	—	—	"
$/FL P	Fl.290	240	4.30	10	9.30	15	12	"
$/FL P	Fl.295	07	7.30	10	10.50	8	15.50	"
$/FL P	Fl.300	76	11.70	5	16.50	—	—	"
$/FL P	Fl.305	18	17	—	—	—	—	"
$/FL P	Fl.315	3	27	3	28	200	30	"
$/FL P	Fl.320	11	32	120	32.50	—	—	"
£/$ C	$145	6	2.30	—	—	—	—	$146.19
		Jan.		Apr.		July		
ABN C	Fl.540	66	20.50	143	28	—	—	Fl.552
ABN P	Fl.540	115	8.80	25	12B	10	18	
AEGN C	Fl.110	309	7.50	153	8.60	2	12.50	Fl.113.50
AEGN P	Fl.110	157	3.80B	122	5.50	38	8.20	"
AH C	Fl.72.50	779	3	4	0.60A	—	—	Fl.73.90
AH P	Fl.65	120	0.30	—	—	—	—	
AKZO C	Fl.130	959	9.80	319	13.60	173	14.20	Fl.138
AKZO P	Fl.140	554	4.80	59	0.70	37	8.50	"
AMRO C	Fl.100	478	4.20	63	6.0A	4	7.50A	Fl.100.50
AMRO P	Fl.100	132	3.80	62	5B	—	—	"
GIST C	Fl.240	32	9.50	2	15	—	—	Fl.242
GIST P	Fl.210	51	1	—	—	—	—	
HEIN C	Fl.200	107	7.20	20	9.80	6	11.80	Fl.200.20
HEIN P	Fl.290	128	3.30	15	5	—	—	"
HOOG C	Fl.75	459	3.70	58	0	40	0.70	Fl.75.80
HOOG P	Fl.75	47	2.80	99	4.50	8	5.30	"
KLM C	Fl.55	326	1.40B	90	3.30	25	4.50	Fl.50.90
KLM P	Fl.50	469	2	395	3	20	3.20	"
NEDL C	Fl.200	263	7.90	32	14	7	15	Fl.200.50
NEDL P	Fl.180	31	1.10	62	2.30	—	—	"
NATN C	Fl.85	5	1.60	92	3	59	3.50	Fl.80.90
NATN P	Fl.80	38	9	—	—	—	—	"
PETR C	Fr.7500	5	100	10	250	—	—	F7040
PHIL C	Fl.55	746	1.40B	853	3	135	3.90	Fl.53.60
PHIL P	Fl.55	108	2.70	208	3.80	28	4.70B	"
RD C	Fl.200	50	1	285	4.30	384	5	Fl.186.50
RD P	Fl.200	20	13.80	203	14	201	16.50	"
ROBE C	Fl.77.50	55	4.50	—	—	—	—	Fl.81.30
ROBE P	Fl.82.50	—	—	—	—	10	3.60	"
UNIL C	Fl.380	566	12	21	19.50	—	—	Fl.383.50
UNIL P	Fl.380	165	9	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 30,013

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or-	Net Div.	Times covered	Gross Yield	P/E Ratio
95	F.P.	7/11	108	97	AMS Inds. 5p	104	..	bg1.25	5.0	1.7	16.9
—	F.P.	—	3	3	Bardsey Warrants	3	..	—	—	—	—
185	F.P.	1/11	240	202	Britoil 10p	240	+5	†13.0	3.0	7.7	0.9
110	F.P.	—	134	129	✠CheshireW'foods 5p	129	+1	bg3.65	2.0	4.0	17.3
$1.71	F.P.	—	69	67½	China&Eastn.Inv $0.50	67½	-1½	—	—	—	—
—	F.P.	—	21	19	Do. Warrants	19½	-1½	—	—	—	—
150	F.P.	5/11	122	98	✠Colorgen Inc. $0.01	108		—	—	—	—
100	50	6/12	54½	52	Cont'l.Assets Tst.†75p	54½	-1½				
128	F.P.	8/11	96	88	✠Cowells	88		bg2.0	2.6	4.2	12.8
100	F.P.	8/12	179	160	Davidson Pearce 10p	175	-3	bg2.5	3.7	2.0	18.9
25	F.P.	20/12	109	102	✠Ealing Electro. 5p	105		bg[illegible]	4.3	3.0	11.0
120	F.P.	12/11	110	100	Fairbriar 10p	106		bg4.0	1.6	5.4	9.0
100	50†	—	49½	49	German Sec. Inv. Tst.	49		bd35.2	—	7.4	17.4
72	F.P.	29/11	73	67	✠Gibbon Lyons 10p	68	..	bq1.5	2.8	3.9	14.5
57	F.P.	11/12	67	60	✠Hampden Homes 10p	60					
94	F.P.	30/10	88	78	✠InfraRed $0.10	85	+1	Q2.15c	4.2	1.8	—
50	F.P.	20/12	54	52	IHOCO 10p	53		—	—	—	—
190	F.P.	10/1	206	180	Intl. City Hldgs.	165	-1	u9.0	2.9	6.9	7.8
114	F.P.	10/1	112	100	✠Magnetic Materials	105		u2.8	3.1	3.8	9.0
90	F.P.	22/11	98	91	✠Martin (Ronald) 10p	98	+1	bg3.27	2.2	4.8	15.3
67	F.P.	22/11	72	67	✠Metsec 10p	68	....	bg24.6	—	5.2	11.5
160	F.P.	—	168	166	✠Millward Brown	168		bg2.5	3.5	2.1	19.3
125	F.P.	—	144	138	SPP 10p	144	+4	bg4.75	2.3	4.7	11.1
330	F.P.	1/11	493	343	St. Ive's 10p	493	+15	bg8.0	3.2	2.3	20.2
175	F.P.	22/11	192	175	✠Shandwick 2p	185		u3.68	—	2.8	23.0
97	F.P.	—	105	101	✠Snowdon & Bridge	105		bg2.75	3.0	3.7	12.9
57	F.P.	—	74	65	✠SterlingPublish'g 5p	78	+1	b2.0	1.9	3.9	17.4
100	F.P.	22/11	100	97	Strata Invs.	98		—	—	—	—
118	F.P.	20/12	128	119	✠TMD Advertising 5p	125	-1	ug1.65	3.3	1.9	27.8
180	F.P.	20/12	212	195	Underwoods 10p	198	+1	bg1.65	3.0	1.2	40.5
90	F.P.	—	103	93	✠WYorks.Ind.Hos.50p	95	..	b4.0	1.8	6.1	12.6
128	F.P.	—	175	150	✠World of Leather	163	..	bg2.5	3.0	2.2	21.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+or-
97.305	£30	—	32½	29⅝	Australia 8½% Ln. 2012	32	+½
81.443	£30	17/1	29⅝	27½	Bank of Greece 10½%Ln. 2010	28½	+¼
‡	Nil	8/1	10pm	½pm	Biomechanics 8% Cnv. Uns. Ln. 1991	10pm	+½
**	F.P.	—	113	100	Bremner 10% Cnv. Uns. Ln. 1995	107xd	-1½
100	£10	—	10⅝	10¼	Bristol Water 11.2% Red. Deb. 2005-09	10⅝	+⅛
80.466	£25	27/11	118½	99¼	Brixton Est. 10¾% 1st. Mort. Deb. 2025	99¼	
100	F.P.	23/1	11⅝	11⅛	Chester Water 8½% Red. Pref. 1992	11⅛	..
‡	Nil	3/1	10pm	5pm	✠Cont. Microwave 9% Cnv.Red.Pf.2005	10pm	..
98.324	£40	3/12	44¼	40¾	Est. & Gen. Inv.11¼%1stMort.Deb.2018	43½	+½
100	£10	—	10⅝	10	East Anglian Water 11.5%Rd.Db.1995-97	10⅝	+⅜
100	£10	—	10⅝	10	Essex Water 11.5% Red. Deb. 1995-97	10⅝	+¼
100	£10	—	10⅝	10⅛	Do. 11.2% Red. Deb. 2005-09	10⅝	+⅛
97.917	£25	31/1	27¾	20¾	Evans of Leeds 11% 1st.Mort.Deb. 20-25	27	-¼
95.603	£25	10/1	25¾	94¼	Haslemere 10⅞% 1st Mort. 2016	95½	+⅛
88.856	£30	24/1	32⅛	29⅝	Intl. Bk. for Rec. & Dev. 9⅝% Ln. 2010	31	+½
92.999	£25	31/1	25½	23⅞	Land Securities 10% Deb. 2095	25½	+½
—	F.P.	—	99⅜	99⅛	Nationwide 11⅜% Bds. 20-10-86	99⅜	..
—	F.P.	—	100⅛	99¾	Do. 11⅝% 17-11-86	100⅛	..
98.43	£25	21/2	25⅝	24⅛	Peachey Prop. 10⅞% 1st Mort. Deb. 2015	25½	+⅜
99.997	F.P.	19/4	40⅞	39⅝	Safeway Deep Dis. Stepped Ln. 2011	40½	+¼
97.65	£30	30/1	31⅜	29⅞	Sweden (Kingdom of) 9⅞% Ln. 2016	31⅛	+½
99.950	F.P.	—	100¼	99¾	Yeoman Inv. Tst. 11¼% Deb. 2015	99¾	

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or-
9½	Nil	—	1½pm	1¼pm	Barker & Dobson 1p	1½pm	..
25	Nil	2/1	19pm	15pm	Comm. Bk. Wales	19pm	
94	Nil	24/1	14pm	13pm	✠Dencora	14pm	..
109	F.P.	10/1	131	125	Fisher (Albert) 5p	131	+5
2½	Nil	9/1	4pm	2½pm	✠Metal Sciences 2½p	3½pm	+½
60	Nil	23/12	4pm	1pm	✠Pavion Intl.	6pm	+1
32	Nil	—	4pm	2pm	Readicut 5p	2pm	-1
240	Nil	—	45pm	45pm	Samuelson Grp. 20p	45pm	....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮Allotment price. ‖ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 26	Apr 7

For rate indications see end of *Unit Trust Service*

Stocks favoured for the call included STC, British Home Stores, Premier Oil, Five Oaks, Westland, Aitken Hume, MEPC, A. F. Bulgin A, Cadbury Schweppes, Distillers, West Coast, Aquarius, Arthur Lee, Fine Art Developments and Sangers Photographics. A put was taken out in Southend Stadium, but no doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	90	0	19
Corpns, Dom. & Foreign Bonds	28	4	50
Industrials	479	246	763
Financial & Props.	145	102	318
Oils	35	32	60
Plantations	2	7	9
Mines	78	26	82
Others	53	105	73
Totals	910	522	1,374

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*598)	500	108	120	—	1½	7	—
	550	58	72	88	3	18	29
	600	23	36	43	20	40	40
Cons. Gold (*512)	400	105	115	122	1½	6	10
	450	77	87	95	6	10	26
	500	45	93	72	24	40	47
	550	20	32	42	59	64	73
Courtaulds (*188)	130	60	64	—	1	1½	—
	140	50	54	58	1	1½	1½
	160	30	35	39	1½	4	6
	180	15	22	20	9	7	9
Com. Union (*236)	200	41	47	—	1½	2½	—
	220	20	32	—	3	6	—
	240	13	20	29	11	16	18
	260	3	11	20	27	31	34
Distillers (*490)	460	53	70	85	9	13	20
	500	28	48	65	28	35	40
	550	13	25	35	67	68	68
G.E.C. (*186)	140	50	50	—	2	3	—
	160	30	40	46	2	5	6
	180	10	24	30	6	10	16
	200	3	11	—	18	20	—
Grand Met. (*390)	280	163	125	—	1	1	—
	300	103	109	—	1	1	—
	330	73	75	95	2	3	4
	360	47	65	73	3	8	10
	390	21	38	45	10	15	20
I.C.I. (*732)	600	147	154	163	1½	4	7
	650	100	106	117	3	18	18
	700	54	63	77	15	34	37
	750	20	30	38	42	47	57
	800	7	—	—	76	—	—
Land Sec. (*301)	260	65	—	—	1½	—	—
	280	46	52	—	1½	4	—
	300	27	33	42	4	9	12
	330	7	15	23	17	21	24
Marks & Sp. (*189)	130	62	66	—	1	1½	—
	140	52	56	—	1	2	—
	160	33	36	42	1½	4	6
	180	14	20	22	9	7	11
	200	5	9	14	17	20	22
Shell Trans. (*660)	650	48	60	72	8	22	28
	700	18	22	40	28	45	53
	750	5	12	—	72	83	—
Trafalgar Hse (*387)	330	52	56	71	1½	2	4
	360	32	39	48	3	8	13
	390	14	24	31	12	19	23

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
BAT Inds (*288)	260	40	47	—	3	9	—
	280	25	36	42	8	11	14
	300	15	23	32	20	20	27
	330	5	12	—	45	45	—
Barclays (*462)	360	110	115	—	2	3	—
	390	80	85	—	4	7	—
	420	52	62	72	8	12	17
	460	25	32	42	22	30	37
Brit. Aero (*483)	330	156	173	—	1	1	—
	360	129	143	—	1	1½	—
	390	106	113	—	1	9	—
	420	77	90	103	4	10	17
	460	46	67	70	10	20	20
BritTelecom (*204)	160	48	—	—	0½	—	—
	180	28	34	40	1½	3	4½
	200	12	19	25	8	9	11
	220	4½	8½	12	17	18	19
Imperial Gr. (*229)	160	73	78	—	1	1	—
	180	53	58	—	1	9	—
	200	38	40	45	3	8	6
	220	20	24	31	8	11	13
LASMO (*255)	240	35	46	53	9	16	16
	260	25	37	60	20	25	30
	280	18	25	28	30	35	40
	300	11	18	—	45	50	—
LONRHO (*189)	140	52	54	—	1½	1½	—
	160	38	34	39	2	3	5
	180	12	20	24	7	10	11
	200	9½	12	15	19	21	22
P. & O. (*438)	390	60	67	—	3	6	—
	420	36	45	55	10	18	20
	460	14	23	33	29	30	38
Racal (*146)	120	30	40	—	2	4	—
	130	22	30	40	4	7	9
	140	16	20	30	8	12	19
	160	6	13	—	20	22	—
R.T.Z. (*544)	500	60	78	84	9	17	22
	550	35	43	53	27	37	47
	600	15	26	—	67	74	—
Vaal Reefs (*$71)	45	27½	29½	—	0½	0½	—
	50	22½	20½	—	1	1½	—
	60	19	17½	19½	2½	3½	6½
	70	9	12	14	5½	7½	10½

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Ex 10% 1988 (*£98)	96	1½	[illegible]	—	[illegible]	[illegible]	—
	98	0½	[illegible]	—	0½	0½	—
	100	0⅛	[illegible]	—	2½	2½	—
Tr. 11¾% 1991 (*£111)	102	—	—	2½	—	—	[illegible]
	104	—	—	1¼	—	—	1
	106	—	—	0½	—	—	2½
Tr. 11¾% 03-07 (*£104)	106	5¼	5⅝	—	[illegible]	[illegible]	—
	108	3¼	3½	4¼	[illegible]	[illegible]	[illegible]
	110	1¼	2¼	[illegible]	0½	0¾	1¼
	112	0¼	0¾	1½	1¼	1½	2½

Option		Calls Dec.	Calls Mar.	Calls June	Puts Dec.	Puts Mar.	Puts June
BTR (*388)	350	45	—	—	2	—	—
	360	—	45	90	—	10	15
	375	22	—	—	4	—	—
	390	16	30	38	13	22	27
Beecham (*313)	280	47	60	63	4	6	8
	300	27	37	48	8	14	18
	330	10	21	27	18	25	30
	360	4	10	—	40	45	—
Bass (*678)	550	146	157	172	2	4	7
	600	92	107	122	2	6	10
	650	47	68	77	12	28	25
	700	17	30	40	17	35	40
De Beers (*$490)	390	119	122	140	2	7	11
	420	90	100	115	4	10	23
	460	53	70	90	23	33	40
	500	22	43	50	—	55	—
GKN (*274)	240	38	48	52	1	3	7
	260	18	31	40	3	8	12
	280	7	17	20	12	16	21
Glaxo (*1565)	1400	190	245	285	10	22	35
	1450	135	205	240	15	25	45
	1500	105	175	210	28	40	60
	1550	75	140	175	45	63	80
Hanson (*222)	195	30	—	—	1	—	—
	200	—	35	41	—	6	10
	210	15	—	—	7	—	—
	220	—	21	27	—	12	16
	236	6	—	—	17	—	—
Jaguar (*338)	260	76	82	91	1	1½	1
	280	60	63	71	1	3½	6
	300	37	47	59	3	9	12
	330	15	30	40	11	18	25
Thorn EMI (*417)	360	60	70	80	1½	5	7
	390	32	45	65	4	12	17
	420	12	27	37	12	28	35
Tesco (*300)	250	48	—	—	1	—	—
	260	—	53	60	—	4	7
	280	29	35	43	5	9	12
	300	9	22	28	10	16	22

Option		Calls Nov.	Calls Dec.	Calls Jan.	Calls Feb.	Puts Nov.	Puts Dec.	Puts Jan.	Puts Feb.
FT-SE Index (*1405)	1325	127	—	135	—	1	—	4	—
	1350	108	108	114	—	1	3	8	—
	1375	83	83	92	102	1	6	13	20
	1400	58	64	70	82	1	10	18	28
	1425	—	44	48	62	—	18	28	40
	1450	—	23	32	45	—	27	38	50

November 25 Total contracts 15,322 Calls 11,031 Puts 4,291

*Underlying security price

WORLD STOCK MARKETS

Indices

	Nov. 25	Nov. 22	Nov. 21	Nov. 20	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	1000.2	991.00	994.5	986.4	1002.2 (25/11)	715.3 (7/1)
Metals & Mins. (1/1/80)	499.1	490.78	485.8	489.8	585.8 (20/5)	562.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	113.22	115.72	115.03	118.09	119.22 (25/11)	58.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2986.36	2982.54	2951.82	2947.28	2986.36 (25/11)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	219.62	222.65	221.66	227.77	237.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	248.5	246.60	238.5	236.7	248.8 (25/11)	180.8 (3/1)
Ind Tendance (28/12/84)	144.2	(u)	138.9	136.8	144.2 (25/11)	100.1 (8/1)
GERMANY						
FAZ Aktien (31/12/58)	601.51	601.98	597.06	(c)	601.98 (22/11)	382.39 (3/1)
Commerzbank (1/12/53)	1774.5	1775.40	1764.6	(c)	1761.4 (8/11)	1111.8 (6/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1736.49	1712.82	1762.51	1757.29	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	430.67	428.73	425.52	422.64	430.67 (25/11)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12763.4	12759.33	12697.8	12642.9	13055.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1004.40	1008.5	1001.22	?96.86	1057.55 (18/7)	816.95 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	239.2	234.70	238.0	236.1	239.2 (25/11)	185.6 (3/1)
ANP-CBS Indust (1970)	214.1	214.50	213.6	211.4	214.50 (22/11)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	408.68	408.39	404.51	405.07	412.88 (12/11)	268.18 (2/1)
SINGAPORE						
Straits Times (1966)	729.23	735.00	733.99	747.86	862.65 (7/3)	717.90 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	-	1216.8	1213.4	1224.0	1224.0 (26/11)	829.5 (6/8)
JSE Indust (28/9/78)		102k.8	1022.2	1001.6	1086.6 (16/7)	787.1 (7/8)
SPAIN						
Madrid SE (28/12/84)	135.76	138.72	157.54	156.75	157.84 (21/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1569.51	1552.20	1518.68	1519.72	1569.51 (25/11)	1288.32 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	565.2	553.60	556.3	556.4	558.60 (22/11)	398.7 (8/1)
WORLD						
Capital Intl. (1/1/70)	-	244.4	245.10	240.4	244.4 (22/11)	184.6 (4/1)

** Saturday November 23: Japan Nikkei (n), TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

NYSE COMPOSITE PRICES

Continued from Page 41

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			
Asset Sit	80xd	+	8½
BICC	253	+	13
Beecham	323xd	+	15
Boots	272xd	+	19½
BAe	483	+	21
B Home St	409	+	36
Cadbury Sch	158	+	12
Dunhill	393	+	18
Eng Ch Clays	270	+	12
Goodman Bros	34	+	3½
Guinness P	77	+	6
Habitat M	565	+	17
Imp Group	229	+	11
Norton Opax	138	+	10
Paterson Z	238	+	11
Platon Int	162	+	12
Rowntree Mac	413	+	25
Sekers Int	80	+	7
Stirling	100	+	12
Sutcliffe	45	+	8
Tate & Lyle	555	+	15
Unigate	230	+	8
United B	265	+	25
Wagon Fin	124	+	7
Westland	70	+	5
Wolseley-H	580	+	37
FALLS			
Apricot	60	−	4
BP	596	−	9
Peters St	70	−	6

Prices at 3pm, November 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 39

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, November 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Blue chips fall to profit-taking

BLUE chips gave back some of their recent gains on Wall Street yesterday, *writes Terry Byland in New York.*

With the bond markets less sure of themselves as they faced another heavy schedule of Treasury funding, investors entered the market to take profits.

At the close the Dow Jones industrial average was 7.68 down at 1,456.65.

Predictions of a cut in the federal discount rate have been put back on Wall Street's office shelves, at least until after Christmas.

The success of last week's auctions of Treasury securities, together with the steady tone of the US economy reflected by the upgrading in Commerce Department GNP estimates, has indicated to many analysts that the federal authorities will leave credit policy alone.

Reinforcing such views is the slide in the dollar which was beginning to worry Wall Street yesterday as the US currency dipped towards the Y200 level.

With bond prices not providing much initiative, the stock market slipped away as profits were taken.

Utility stocks, the traditional barometer of interest rate expectations, slipped lower, and bank issues fell back. Profit-takers cut deeply into airline and rail stocks, bringing a sharp dip in the Dow transportation average.

Motor stocks wilted as the latest industry sales figures showed a further decline. However, falls in the technology and pharmaceutical sectors, which starred in the recent market upswing, were modest.

In the airlines, American dipped $1 to $39½, and United $⅝ to $46⅞ in moderately active trading. Pan Am, however, held steady at $8.

IBM slipped off its peak in sluggish trading, to show a fall of $⅝ to $138⅝. Chrysler fell from favour with a $1⅛ loss to $42⅝. General Electric, trading ex-dividend, dipped $1⅛ to $64⅝.

Digital Equipment shed $2⅝ to $116 as Salomon Bros transferred the stock from "buy" to "hold" in view of its recent advance.

Other computer leaders were dull. Honeywell shedding $⅜ to $67½ and NCR $⅛ off at $37½.

Semiconductor issues also had a slack session after the surge of the past fortnight. National Semiconductor eased $⅛ to $12⅝ and Motorola shed $⅛ to $35⅝.

Block trading in International Harvester, $⅛ easier at $7⅝, disclosed the hand of the banks which are reshuffling their equity holdings.

Also high on the active list was Baxter Travenol, down $⅛ at $13⅜ as the acquisition of American Hospital Supply was completed.

Dwindling hopes of a discount-rate cut left banks vulnerable to profit-taking. Citicorp fell $1¼ to $46⅝, although trading was light. Bankers Trust dropped $1⅞ to $68⅝, while J. P. Morgan was $⅝ down at $56⅞.

Some analysts have warned that farm-loan losses could bring regulatory restrictions on dividend payments.

But the dollar worries did no harm to pharmaceuticals, which benefit from a lower foreign exchange rate for the US currency.

Merck, the sector leader, shed only $⅛ of its recent gain to steady at $125⅞ in quiet trading. Other dollar favourites showed little movement, including Pfizer, $⅛ off at $50⅝, and Bristol-Myers, down $⅛ at $63⅛.

Takeover situations were less dominant, although a leveraged buyout plan at National Gypsum, confirming recent market speculation, sent the stock ahead by $3 to $47.

Texaco remained busy, although it was unchanged at $34⅞, while Pennzoil added $2 to $64 as Wall Street waited to see if Texaco will be obliged to make a $10.5bn payment ordered by a Texas court.

In the credit market, federal funds dipped to 7⅝ per cent, taking the upward pressures off the short end. Bond prices gave a little ground without seeing much turnover.

LONDON

Mergers fuel rise to peaks

MERGER NEWS gave a healthy boost to London yesterday where the FT ordinary share index closed at a record 1,146.9, up 11.5 on the previous session. The first merger was announced early in the session between British Home Stores and Habitat Mothercare.

BHS soared 36p to close at 409p, while Habitat Mothercare put on 17p to 565p.

Later in the session news of merger talks between Imperial Group, up 11p at 229p, and United Biscuits, which leaped 25p to 265p, gave extra impetus to the market.

Other actives during the session included British Aerospace, which added 21p to 483p, Wolseley-Hughes up 37p at 580p, Coloroll, which rose 8p to 165p ex-dividend, and Boots, which put on 19½p to 272p ex-dividend. However, Burton shed 13p to 590p and Jaguar was 6p lower at 331p.

In contrast, gilts were traded relatively quietly. Modest buying of medium and long-dated stocks encouraged gains of up to ½.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37

SINGAPORE

UNCERTAINTY over Pan-Electric's financial troubles continued to dominate Singapore which closed slightly lower in quiet trading.

Selling pressure and a lack of buying support affected the market in spite of an agreement at the weekend designed to help Pan-Electric avoid collapse.

The Straits Times industrial index lost 3.77 to close at 729.23 in turnover of 8m shares traded, sharply down on Friday's 15m.

Banks were one of the few bright spots as unloading of financials tailed off. OCBC added 5 cents to S$8.35, OUB was 1 cent up to S$2.78 and Malay Banking firmed 5 cents to S$5.20. However, Tat Lee Bank shed 5 cents to S$2.45 and UOB was 2 cents down at S$3.50.

Elsewhere prices were generally lower. Cold Storage lost 2 cents to S$3.02, Straits Trading was 2 cents down to S$2.78 and Singapore Press shed 15 cents to S$6.20. However, Keppel Shipyard firmed 3 cents to S$1.16 and Sime Darby was also 3 cents higher at S$1.52.

SOUTH AFRICA

GOLDS, helped by news of the planned merger of four major mines, continued to sparkle in Johannesburg, leading prices higher in most sectors.

At the close Driefontein was R1.25 up at R57, Gold Fields South Africa added 50 cents to R39.50 and Buffelsfontein rose R2.50 to R88.00.

Mining financial Anglo American added R1.10 to R38.85, while diamond share De Beers firmed 45 cents to R16 and Rustenberg Platinum was 85 cents higher at R26.10.

Banks also showed gains with Barclays 25 cents higher at R18.50 and Nedbank 35 cents up at R10.10.

Among industrials AE&CI was steady at R9.40, while OK Bazaars was 90 cents up at R13.50 and SA Breweries added 5 cents to R8.30. However, Tongeat Huletts lost 10 cents to R6.30.

CANADA

SHARP RISES in golds failed to boost other sectors in Toronto, which traded mostly mixed.

Among golds Echo Bay traded C$¾ up at C$19½, Campbell Red Lake added C$⅝ to C$33⅞, Lac Minerals added C$⅛ to C$36⅝ and Dome Mines was C$½ higher at C$13⅝.

Actives included Canadian Pacific which traded C$¼ down to C$17⅝ and its subsidiary, Canadian Pacific Enterprises, which was also C$⅛ lower at C$28⅝.

TransCanada Pipelines moved up C$⅛ to C$23, while Dome Petroleum shed 10 cents to C$3.30.

In Montreal banks were marginally lower, while other sectors were little changed.

EUROPE

Run to fresh records continues

THE RUN to records continued in Europe yesterday with only a few bourses falling foul of profit-takers picking up gains from last week's solid advances.

Foreign investors pushed Amsterdam to another peak for the sixth consecutive session. The ANP-CBS general index put on 0.5 points to 239.20. However, in late-afternoon trading many issues began to return their early advances.

Especially heavy demand was seen for Unilever, which gained Fl 5.50 to Fl 383.50 on unconfirmed rumours that it is seeking to take over the British pharmaceutical group, Beechams. Earlier, the issue had traded as high as Fl 387.00, its highest point ever.

In banks, ABN advanced Fl 2.00 in early trading but fell back to end 50 cents lower at Fl 532.00. ABN repeated its forecast that net income for 1985 will be at least level with earnings for 1984.

Publisher VNU attracted heavy interest, adding Fl 4.50 to Fl 274.00 and elsewhere in the sector, Elsevier gained Fl 1.70 to Fl 171.50.

Food group Wessanen, which has been popular of late, could not keep up this firmer trend and fell back Fl 2.80 to Fl 228.50. Chemicals company Gist-Brocades was also lower, finishing at Fl 242.00, down 30 cents.

Bonds were mostly unchanged in slow trading ahead of a possible announcement of a new state issue later this week. Many dealers are predicting the Government will float a 10-year 7 per cent issue to make a start on their 1986 refinancing requirements and this, rumour has restrained trading in state issues where isolated falls of 10 to 20 cents were evident.

Paris was pushed higher into unchartered regions as advances outnumbered declines by about 120 to 50.

As on Friday, trading volume was so heavy that closing prices were delayed by more than one hour while stock exchange clerks processed the avalanche of orders.

Foreign buy orders continued apace despite some selective profit-taking among banks, foods, constructions and electricals.

Trading in Michelin was suspended at one stage due to an order imbalance but the rubber company returned to end the day FFr 120 higher at FFr 1,800.

Among advances, Moulinex rose FFr 4.50 to FFr 65.40, Thomson CSF FFr 20 to FFr 695, Bouygues FFr 24 to FFr 889 and BSN Gervais FFr 30 to FFr 2,510.

Among declines, Telemechanique shed FFr 80 to FFr 2,860, Cie Bancaire FFr 9 to FFr 818 and Pernod FFr 5 to FFr 778.

Foreign buyers kept Stockholm lively as the Veckans Affarer All Share index jumped to a year-high for the second consecutive trading session.

Pharmaceutical group Fermenta continued to be sought, rising SKr 4 to SKr 140, an all-time peak, on news that it has acquired an Italian penicillin maker.

Ericsson was also heavily traded and recovered from last week's sharp fall to end SKr 4 higher at SKr 200.

Elsewhere, Alfa Laval added SKr 3 to SKr 248, drug group Pharmacia gained SKr 8 to SKr 198 while Volvo rallied SKr 11 to SKr 279 on the strength of its nine-month results announced last week.

Buoyant store issues led Frankfurt higher and the Commerzbank index closed up 1.1 at 1,774.5.

Prices seemed to be unaffected by the dollar's 20-month low at the fix in Frankfurt yesterday and even exchange-rate sensitive car shares shed only small amounts.

Continuing falls in the dollar raised prospects for declining interest rates and a revival of the country's domestic economy, propping up stores shares, according to a broker. As a result, stores continued to gain sharply during the session.

By the close, Horten had gained DM 15 to DM 233, Karstadt DM 14 to DM 347 and Kaufhof DM 10 to DM 345.

Banks tended higher ahead of the announcement later this week of 10-month earnings figures for the top three banks. Commerzbank added DM 2 to DM 274.50, Dresdner put on a similar amount to DM 346.50, while Deutsche faded 50 pfg to DM 711.50.

VW was the only car issue to rise, ending 50 pfg ahead at DM 415.50. Daimler eased DM 1.50 to DM 1,228, and BMW lost DM 2 to DM 598.

Chemicals were stronger across the board with Hoechst adding DM 2.40 to DM 260.90. Bayer firmed DM 1.50 to DM 262 and BASF rose DM 2 to DM 272.

Blue-chip Siemens put on DM 3.50 to DM 678.50 and Brown Boveri ended DM 5.50 ahead at DM 293.50, while against the trend AEG finished down 50 pfg at DM 237, still well above Daimler's offer of DM 170 for the electrical company's outstanding stock.

Bonds ended mixed with prices for longer maturity paper losing up to 35 basis points, while shorts gained up to 20 basis points. The lower dollar appeared to have little effect here also.

The Bundesbank sold a small DM 7m worth of paper after selling a moderate DM 35.7m on Friday.

Demand for banks, insurances and industrial issues spurred Milan higher, where Ras added L5,000 to L136,000 and Fiat rose L89 to L5,048.

Brussels ended narrowly mixed in contrast with last week's sharp gains which were triggered by a drop in interest rates and the formation of a new centre-right coalition Government.

Profit-taking took Zurich lower. Swissair lost SFr 20 to SFr 1,550, UBS shed SFr 45 to SFr 4,920 and Crédit Suisse dropped SFr 30 to SFr 3,440.

Madrid fell in quiet trading.

AUSTRALIA

Resources boost confidence

CONFIDENCE returned to Sydney yesterday pushing the All Ordinaries index back through the 1,000-mark for the first time for more than a week.

The index closed 8.9 higher at 1,002.2 in moderate trading which saw gains in all sectors.

Firmer world metal prices gave a boost to resources and minings which led the rally. CRA added 10 cents to A$5.56, MIM and North Broken Hill both closed 9 cents up at A$2.57 and A$2.27 respectively, Poseidon firmed 5 cents to A$3.60 and Western Mining was 10 cents up at A$3.38.

CSR jumped 22 cents to A$3.58 on rumours of a takeover bid by BHP which gained 2 cents to A$8.62.

Elsewhere shares were helped by a stronger Australian dollar. Among banks National Australia firmed 7 cents to A$4.85, Westpac closed 4 cents higher at A$4.62 and ANZ added 8 cents to A$4.80.

Media stocks were mixed with Herald and Weekly Times rising 4 cents to A$5.86 while News Corp shed 16 cents to A$8.60.

Among other industrials Bougainville firmed 3 cents to A$1.88, Elders IXL was 10 cents up at A$2.90 ex-scrip, and Howard Smith was steady at A$4.10.

TOKYO

Electricals hit by low dollar

THE DOLLAR'S fall against the yen depressed export-oriented blue chips in Tokyo yesterday, but other shares closed moderately higher, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 issues gained 24.06 from last week's close to 12,783.39. Volume fell from Friday's 431m shares to 256m. Gains outpaced losses by 456 to 354, with 134 issues unchanged.

Electrical and precision-instrument blue chips, which had led market activity last week, were particularly hard hit by the dollar's fall in Tokyo and Sydney yesterday. At one stage the dollar slipped below 200 yen.

NEC, a prime mover among blue chips, shed Y30 to Y1,230. Oki Electric, which was active with 8.7m shares traded, fell Y13 to Y677. Hitachi lost Y[illegible] to Y720, Sony Y70 to Y3,830 and Shimadzu Y14 to Y881.

News of a plan to impose a special tax on gains earned by business corporations from the yen's appreciation triggered selling of electric powers which can expect cheaper oil bills as a result of the yen's rise. Tokyo Electric Power fell Y36 to Y2,400.

Tokyo Gas, the most active stock with 8.1m shares traded, rose Y3 at one point but ended at Y290, unchanged from the previous week's close.

Strong buying interest focused on issues related to the Government's fiscal investment and loan programme, such as properties and constructions, which are not affected by movement of the yen-dollar exchange rate.

Mitsubishi Estate was the second most active stock with 6.2m shares traded, gaining Y20 to Y1,170. Nippon Express added Y7 to Y590 and Sumitomo Warehouse was up Y8 to Y624.

Issues related to domestic demand expansion also attracted strong buying interest. Taisei advanced Y16 to Y346, Kajima Y24 to Y499, Wakachiku Construction Y47 to Y665 and Daiwa House Y18 to Y910.

Yamato Transport jumped Y44 to Y994 on the strength of its move into value-added network (VAN) business. Chisan-Tokan rose Y47 to Y566 on rumours of buying by speculators.

Bond prices firmed, supported by the yen's sharp rise, with the yield on the benchmark 6.8 per cent government bond, maturing in December 1994, declining from last Friday's 6.490 per cent to 6.460 per cent.

Trading was active only on the inter-broker market, and institutional investors stayed on the sidelines in the over-the-counter market.

HONG KONG

SELECTED blue chips led Hong Kong sharply higher in hectic trading after the Hang Seng index had lost almost 50 points on Friday.

Buying by institutions, which had been waiting on the sidelines, re-emerged as fears about political change in Hong Kong subsided.

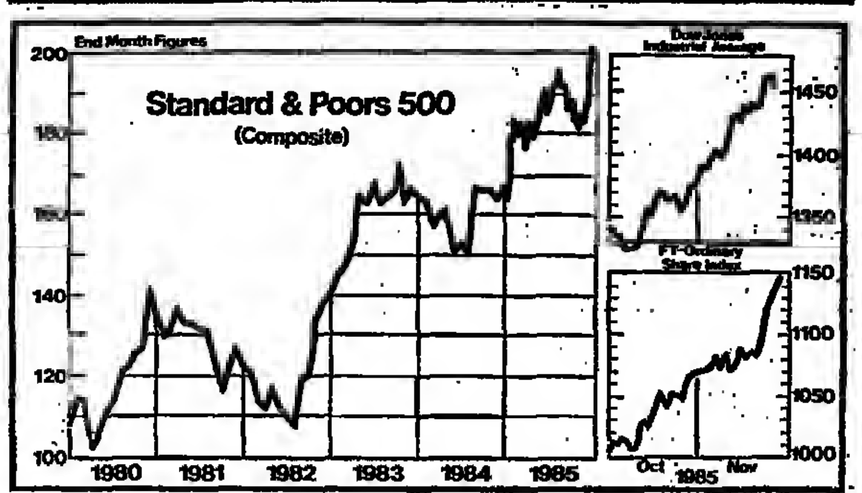
The index recovered to close 23.67 up at 1,736.49.

Utilities led the rally. Hongkong and China Gas closed 20 cents higher at HK$12.40, Hongkong Telephone added 35 cents to HK$10.00 and China Light firmed 50 cents to HK$15.20. Hongkong Electric closed steady at HK$8.35.

Banks followed the trend with East Asia up 20 cents to HK$23.80 and Hongkong and Shanghai adding 10 cents to HK$7.80.

Property-related stocks also showed good gains.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Nov 25	Previous	Year ago
DJ Industrials	1,456.65	1,464.33	1,220.30
DJ Transport	676.85	682.94	532.99
DJ Utilities	165.16	166.14	145.72
S&P Composite	200.40	201.52	166.92
LONDON			
FT Ord	1,146.9	1,135.4	922.1
FT-SE 100	1,445.5	1,451.0	1,158.8
FT-A All-share	702.06	699.64	554.97
FT-A 500	771.36	767.84	605.46
FT Gold mines	309.4	294.5	576.8
FT-A Long gilt	10.30	10.35	10.11
TOKYO			
Nikkei	12,783.39	12,759.33	11,207.7
Tokyo SE	1,008.4	1,008.5	849.98
AUSTRALIA			
All Ord.	1,000.2	991.0	770.1
Metals & Mins.	499.1	490.7	460.4
AUSTRIA			
Credit Aktien	119.22	115.72	58.46
BELGIUM			
Belgian SE	2,986.36	2,982.34	—
CANADA			
Toronto			
Metals & Mins	1,913.1*	1,919.5	2,004.0
Composite	2,823.7*	2,831.7	2,414.3
Montreal			
Portfolio	137.14*	137.64	120.27
DENMARK			
SE	219.62	222.85	166.13
FRANCE			
CAC Gen	248.3	246.6	180.8
Ind. Tendance	144.2	139.9	100.0
WEST GERMANY			
FAZ-Aktien	601.51	601.98	370.27
Commerzbank	1,774.5	1,773.4	1,085.6
HONG KONG			
Hang Seng	1,736.49	1,712.82	1,096.04
ITALY			
Banca Comm.	430.67	428.73	214.16
NETHERLANDS			
ANP-CBS Gen	239.2	238.7	175.8
ANP-CBS Ind	214.1	214.5	138.2
NORWAY			
Oslo SE	406.68	408.39	283.23
SINGAPORE			
Straits Times	729.23	733.00	810.87
SOUTH AFRICA			
JSE Golds	—	1,218.8	1,077.2
JSE Industrials	—	1,028.8	980.4
SPAIN			
Madrid SE	135.76	138.72	102.69
SWEDEN			
J & P	1,569.51	1,552.20	1,322.22
SWITZERLAND			
Swiss Bank Ind	535.2	538.6	376.5
WORLD	**Nov 22**	**Prev**	**Year ago**
Capital Int'l	244.0	243.1	184.0

COMMODITIES

(London)	Nov 25	Prev
Silver (spot fixing)	426.45p	425.35p
Copper (cash)	£948.50	£944.50
Coffee (Jan)	£1,871.50	£1,863.50
Oil (spot Arabian Light)	$27.95	$27.95

GOLD (per ounce)

	Nov 25	Prev
London	$331.00	$328.50
Zürich	$330.75	$328.25
Paris (fixing)	$331.95	$326.88
Luxembourg	$330.00	$326.50
New York (Dec)	$332.70	$327.40

CURRENCIES

(London)	U.S. DOLLAR Nov 25	Previous	STERLING Nov 25	Previous
$	—	—	1.4635	1.454
DM	2.566	2.576	3.755	3.745
Yen	200.7	201.4	293.75	292.75
FFr	7.8175	7.845	11.44	11.405
SFr	2.101	2.105	3.076	3.06
Guilder	2.888	2.899	4.2275	4.215
Lira	1,732.0	1,740.5	2,534.75	2,530.5
BFr	51.85	52.1	75.9	75.75
C$	1.37725	1.3765	2.01615	2.002

INTEREST RATES

Euro-currencies	Nov 25	Prev
(3-month offered rate)		
£	11⅝	11⅝
SFr	4	4
DM	4⅝	4⅝
FFr	9⅝	9⅝
FT London Interbank fixing		
(offered rate)		
3-month U.S.$	8⅛	8⅛
6-month U.S.$	8⅛	8⅛
U.S. Fed Funds	8⅛*	8⁷⁄₁₆
U.S. 3-month CDs	7.75*	7.87
U.S. 3-month T-bills	7.185*	7.47

U.S BONDS

Treasury		Nov 25* Price	Yield	Prev Price	Yield
9⅞	1987	99²⁹⁄₃₂	8.517	100²⁹⁄₃₂	8.513
9⅞	1992	101⅟₃₂	9.519	101¹⁵⁄₃₂	9.457
10½	1995	104²³⁄₃₂	8.736	105⅜₂	9.646
10⅝	2015	105²⁹⁄₃₂	10.012	106²⁵⁄₃₂	9.922

Treasury Index Maturity (years)	Return Index	Nov 25* Day's change	Yield	Day's change
1–30	133.35	+0.06	9.23	0
1–10	131.11	+0.09	8.95	0
1– 3	127.21	+0.12	8.45	−0.01
3– 5	132.79	+0.09	9.18	0
15–30	141.25	−0.10	10.22	+0.02

Source: Merrill Lynch

Corporate	Nov 25* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	101⅛	10.05	102⅝	9.70
3⅞ July 1990	84⅝	7.85	84⅝	7.85
8⅝ May 2000	87⅜	10.40	87	10.50
Xerox				
10⅝ Mar 1993	101⅝	10.47	102⅝	10.17
Diamond Shamrock				
10⅝ May 1993	99	10.80	100	10.675
Federated Dept Stores				
10⅝ May 2013	96⅝	11.05	96⅝	11.05
Abbot Lab				
11.80 Feb 2013	105½	11.15	104⅝	11.25
Alcoa				
12⅛ Dec 2012	104⅝	11.65	104½	11.70

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	80-24	80-28	80-16	80-27
U.S. Treasury Bills (IMM)				
$1m points of 100%				
Dec	92.99	93.00	92.94	92.98
Certificates of Deposit (IMM)				
$1m points of 100%				
Dec	92.28	92.28	92.26	92.30
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	92.00	92.00	91.97	92.01
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	112-25	113-01	112-20	112-12

* Latest available figures